REPORT
OF THE
Export Promotion Committee
(1957)

GOVERNMENT OF INDIA
MINISTRY OF COMMERCE AND INDUSTRY

August 31, 1957
NEW DELHI

CONTENTS

Letter of Transmittal

EXPORT PROMOTION COMMITTEE.
New Delhi, 31st August, 1957.

No. EPC/MSV/R

To

THE SECRETARY,
Ministry of Commerce & Industry,
New Delhi.

SIR,

I am directed to submit herewith the final report of the Export Promotion Committee set up in terms of Resolution No. 38-EP(1)/57, dated 18th February, 1957, issued by the Ministry of Commerce & Consumer Industries.

2. The Members of the Committee have expressed the wish that their high appreciation of the Chairman's work as also of the qualities of head and heart that he brought to bear on the conduct of our inquiry be conveyed to Government.

(Sd.) R. VENKATESWARAN,
Member-Secretary.

Chapter 1

INTRODUCTORY

The Export Promotion Committee (1957) was appointed in terms of Resolution No. 33-EP(1)/57 issued by the Government of India in the Ministry of Commerce & Consumer Industries on the 18th February, 1957. The terms of reference of the Committee were wide and covered fiscal concessions, credit facilities, assistance in regard to transport, quality control, pre-shipment survey, settlement of trade disputes and foreign publicity. The circumstances leading to the appointment of the Committee were stated by the Government in the preamble to the Resolution in the following words:—

> "The Government of India have had under examination for some time the measures to be taken for bridging the gap between the foreign exchange resources which now appear likely to be available and the resources actually required for the successful implementation of the Second Five Year Plan. The Government are convinced that an effective contribution in this regard can be made by increasing exports. Accordingly, they have been taking all possible measures for stimulating trade; but *ad hoc* export promotion measures are not adequate to secure the required increase in trade. The Government of India have, therefore, decided to set up a Committee to make a comprehensive study of all aspects of trade promotion . . ."

2. While asking the Committee to make a comprehensive study of the question of promoting Indian exports, Government had required them to make recommendations, in particular, on the following:—

(1) The nature of fiscal or other concessions that could reasonably be granted for stimulating exports, and the procedure for giving this assistance;

(2) The nature and content of credit facilities for export trade and the manner in which these facilities should be provided;

(3) The lines on which special agencies such as Export Promotion Councils, Commodity Boards etc., should be developed to become effective instruments for export promotion;

(4) The assistance required for expeditious movement for export both by rail and sea;

(5) Simplification of commercial transactions by provision of facilities for

(i) the settlement of trade disputes;

(ii) conduct of pre-shipment survey;

(iii) quality control for the maintenance of quality standards in export goods;

(6) Nature of propaganda to be conducted in foreign markets and the need for development of marketing agencies abroad;

(7) The adequacy of the service rendered at present by agencies like the Director-General of Commercial Intelligence & Statistics, the Trade Commissioners' Organisations etc., for promoting trade; and

(8) Any other matters relevant to the main object of export promotion.

3. The Committee consisted of the following:—

(1) Shri V. L. D'Souza.	*Chairman*
(2) Shri T. C. Kapur	*Member*
(3) Shri Karam Chand Thapar	„
(4) Shri G. B. Kotak	„
(5) Shri R. M. Gandhi	„
(6) Shri Nazir Hussain	„
(7) Shri P. Chentsal Rao	„
(8) Shri R. Venkateswaran, I.F.S.	*Member-Secretary.*

4. After a couple a preliminary sittings in Delhi and Bombay, a detailed questionnaire was issued on the 4th March, 1957 covering all important aspects of export promotion, such as policies and procedures, assistance and incentives to exporters, financing of exports, adequacy of services rendered by existing institutions, trade publicity, trade disputes, arbitration, trade agreements and so on. A copy of this questionnaire was addressed to various Chambers of Commerce, industrial and trade associations, a number of business and commercial organisations including banking, insurance and shipping companies, the Indian branches of foreign Chambers of Commerce, the Federation of Indian Chambers of Commerce and Industry, the Economics and Commerce faculties of a number of Universities, Ministries and Departments both at the Centre and in the States, the Government of India's Trade Representatives abroad, Railways and Port Trusts, Foreign Trade Control Officers at the ports, the Indian Council of Agricultural Research and officers of the Central Revenue Departments, the Reserve Bank of India, the

State Bank of India, the Commodity Boards and the Export Promotion Councils; heads of business organisations and prominent persons qualified to speak on foreign exchange problems and international trade. A list of the bodies, institutions, organisations and persons from whom replies to the questionnaire were received is annexed as Appendix A to this report.

5. In conducting the inquiry, the Committee which had their headquarters at New Delhi, visited the important ports and trade centres, namely, Calcutta, Bombay, Madras and Cochin. During their stay in these cities they had discussions with the representatives of trade, commerce, industry and finance, as well as with Government officials whose work had a bearing on India's export trade. A list of the witnesses who tendered oral evidence at the various places is given at Appendix B to this report.

6. Apart from the oral evidence tendered, a very large number of written replies were received to the questionnaire issued by the Committee, thus testifying to an awareness within the country of the importance of India's export trade to the national economy. The Federation of Indian Chambers of Commerce and Industry had, in particular, devoted special attention to the promotion of exports. The study on export promotion that they had brought out in December 1956 was of use to us in our inquiry. We have greatly benefited from the information contained in the written memoranda as well as from the views expressed orally during the course of our inquiry. Our tours and local investigations acquainted us with the live problems confronting India's export trade. The exporting and manufacturing interests everywhere freely helped us with their knowledge and experience. The various officers of Government and of the statutory bodies extended their fullest co-operation to the Committee: they were ever ready to furnish data and information on various aspects of export promotion and help the conduct of the inquiry with their specialized knowledge. We should like to take this opportunity to thank all those who co-operated with us in our task.

7. Like the Export Promotion Committee (1949) this Committee was also appointed at a time of balance of payments difficulties. But the problem confronting us today is somewhat different. The previous Committee had to deal with a balance of payments situation emerging out of the Second World War and the Partition. At that time there was the additional problem of paying special attention to exports to hard currency areas and the achievement of balanced trade as a whole. At the present time, however, the balance of payments difficulties are, in a sense, of our own making. This is because the pace at which we are aiming to develop our economy

on a planned basis has had and will continue to have its repercussions on our external payments position. Foreign capital movements apart, our continuing need for foreign exchange can be met only by a substantial increase in our export earnings. Hence the problem today is one of consciously and concertedly promoting our exports in all possible ways.

8. At the inaugural meeting of the Committee on the 18th February, 1957, the Minister for Commerce and Industry had expressed the wish that the Committee should submit an interim report on their findings to Government by the end of May, 1957. The Committee accordingly submitted an interim report on the 6th June, 1957. That report had, of necessity, to be brief, touching only the main lines of our inquiry and some of the conclusions reached were of a provisional character.

9. This final report does make an attempt "to make a comprehensive study of all aspects of trade promotion" as asked for in the Government's Resolution. We have, in fact, undertaken a broad survey of India's exports and the various facilities which would be of help in promoting them. The adoption of the measures recommended in the report is likely to lead to a definite increase in our export earnings and thereby relieve the pressure on our external payments.

10. Before we pass on to the main report, we desire to record our warm appreciation of the valuable assistance we have received from the Member-Secretary, Shri R. Venkateswaran. His wide and discerning knowledge of matters relating to international trade and his insight into India's export problems have been of immense value in the preparation of the report.

11. We also wish to record our appreciation of the services rendered by Shri S. Jagannarayanan, Deputy Secretary of the Committee. In addition to shouldering the administrative arrangements for the Committee, his careful and thorough work on the export commodities and the related fiscal and financial problems greatly lightened the task of the Committee.

12. We also desire to acknowledge the help we have received from the technical assistants, stenographers and other staff of the Committee all of whom have performed their duties efficiently and well.

CHAPTER II

INDIA'S TRADE IN THE INTERNATIONAL SETTING

India is only one among the large number of trading nations in the world and her share of the total world's trade does not at present exceed 3·6%. However, the value of a country's foreign trade does not always indicate the level of development of its economy. For example, the United States of America has a very large gross national product but its external trade is only a small proportion of it. Similarly, the U.S.S.R. did not, till recently, have any great share in the world's trade; even so her economy has undoubtedly been expanding in all directions. Certain countries, however, rely on their foreign trade to a much larger extent and the value of their foreign trade is a considerable proportion of their gross national product. India belongs to the former group; her foreign trade represents only about 5% of her gross national product. Changes in the structure or flow of the world's trade are, nevertheless, bound to affect India's external trade, for the world is increasingly becoming an economic whole. Besides, in certain commodities at least, we are a substantial source of world supplies, and, consequently, any changes in these supplies on our part are likely to have repercussions on world trade too.

India's share of world trade

2. The following table gives the figures of total world trade and India's foreign trade between the years 1953 and 1956:

in '000 million U.S. dollars

Year (1)	World (2)	India (3)	(3)÷(2) expressed as a percentage (4)
1953	75·38	2.37	3·15%
1954	78.20	2.49	3·18%
1955	85·43	2.90	3·39%
1956	95·03	3·39	3·56%

It will be seen from the above table that India's share of the world's trade is increasing, but not to any great extent. It is, therefore, necessary that we aim at increasing our trade with the rest of the world more rapidly but not merely through imports.

Trends in world demand

3. Any long term programme of progressively increasing exports will have to take into account long term trends in the world demand

for our principal export commodities. Such a forecast of trends cannot of course pretend to be accurate. Apart from the difficulty of allowing for inaccuracies in forecasts of changes in the economic determinants of world demand, there is also the political factor, always, unfortunately, an uncertainty. Already, studies have been made of the long term trends in the import requirements of the U.S.A., Canada and the O.E.E.C. (Organisation for European Economic Co-operation) countries. In the light of these studies, a detailed and critical analysis of the likely export performance of our various export commodities could and should be undertaken. The Committee have not had the time or the data to undertake such an analysis. All the same, the factors which would have to be taken into consideration in forecasting the possibilities of increased exports of our three major commodities, namely, jute goods, tea and cotton textiles are as follows: (a) jute goods: increasing use of substitute packaging material such as paper, bulk handling, likely increase in agricultural production the world over and subsequent higher demand for packaging material; (b) tea: competition from new producing countries such as Kenya, Uganda etc., likely increase in tea consumption with increasing real incomes, competition from coffee and increasing home consumption of tea; (c) cotton textiles: steady decline in world trade in cotton textiles on account of every country wishing to industrialise itself usually making a start with the cotton textile industry, increasing popularity of fabrics woven out of man-made fibres, possibility of improving our share of the total world trade in cotton textiles by lowering costs of production and by promotional measures. For other commodities too, a similar study of the various factors involved will indicate their export potentialities.

Decline in exports from non-industrial countries

4. In the world's trade, one notices today a marked tendency towards a reduction in the relative importance of trade between the industrial and non-industrial parts of the world. This decline is attributable, in the first place, to a drastic fall in the requirements of raw materials and fuels per unit of manufacturing output in industrial countries; secondly, to the effects of agricultural protection in industrial areas and industrial protection in the agricultural (primary producing) areas; and thirdly, increased production of "natural" raw materials within the industrial areas themselves coupled with the intensified use of "manufactured" raw materials such as synthetic rubber, synthetic fibres, plastics and aluminium.

5. Apart from these three reasons, a large part of the decline since 1938 in the share of world imports that flow from non-industrial to industrial areas is accounted for by the manufacturing activity in what the GATT Review of International Trade (1956) calls the

semi-industrialised countries which are: Argentine, Australia, Brazil, Finland, India, Mexico, South Africa and Yugoslavia. Their production of principal primary export commodities has not been sufficient to meet domestic requirements as also to maintain an adequate volume of export supplies. Their limited investment resources seem to be going more and more into their industrial activity. This shift in international trade, namely, the fall in imports by industrialised countries from non-industrialised countries being due to increasing industrialisation in the group of semi-industrialised countries, it may very well be asked whether such industrialisation will inhibit world trade. Since trade among the industrialised countries is, in fact, on the increase, there can be no question of world trade shrinking on account of industrialisation in primary producing countries; the semi-industrialised countries will increasingly import capital goods from advanced countries and also be in a position to export consumer manufactures to the non-industrialised countries. This will be the case with India in the coming years and such a pattern of trade for India and countries similarly situated will only contribute to an increased exchange of goods and services in the world as a whole.

Present state of international trade

6. Certain developments in social structure, economic process and political organisation of modern States have altered the pattern of international trade. The growth of monopoly and the decline of competition, the rigidities in prices, wages and costs, State interference in the flow of trade, the adoption of central planning on a national scale and the establishment of international institutions like the International Labour Organisation, the International Monetary Fund and the International Bank for Reconstruction and Development, all these operate to create a setting for international trade differing significantly from the conditions that prevailed in the early part of the present century. Jacob Viner describes the post-war situation thus: "The International gold standard also has disappeared, to be replaced by pegged exchanges, exchange controls and floating exchanges. Trade barriers have increased and have taken new forms: import quotas, import licences, exchange allocation, barter transactions and government monopolies. Non-discrimination in trade barriers is now honoured more in the breach than in the observance, and the unconditional most-favoured-nation pledge survives as a nostalgic verbal monument to past values and loyalties rather than as an effective rule of conduct. The world at large, moreover, is suffering from, or enjoying, what appears to be chronic inflation, whether from design, governmental weakness and inefficiency or irresistible forces of human psychology when operating under economic strains."

Planned development and foreign trade

7. In recent years, an increasing number of countries are having resort to some kind of planning for the development of their economy. Such planning involves extensive use by Government of direct controls over specific categories of economic activity. There are always some sort of regulatory devices, such as controls through taxes, control over money supply and volume of bank credit, import tariffs, excise duties and so on. But these regulatory devices really operate as supplements to prices as determined by free market forces. When these controls are stretched so as to include allocation of materials, fixation of price ceilings, licencing of imports and exports, consumer rationing and regulation of investments, the whole economy undergoes a change and we approach a centrally directed system. The planning of productive resources cannot be complete without resort to control over foreign trade. This is particularly true of underdeveloped countries whose plans for economic development call for close regulation of foreign trade so as to conserve limited foreign assets for the import of commodities regarded as essential for the development programme within the country. Exports are stimulated even at the cost of domestic consumption so as to earn foreign exchange. A proper investment climate is sought to be created by assurances and even guarantees against nationalisation, confiscation, double taxation, non-transferability of earnings and discriminatory regulations generally. Even positive inducements are offered to attract foreign capital by the offer to exempt the interest on such capital from liability to income tax and so on.

8. If, while planning, the government fail to provide for a reconciliation of their foreign trade programme with their general economic plan, disequilibria are bound to arise in the domestic and foreign price levels, in the balance of payments and in the inflow of capital and outflow of goods. There should be consistency between the national economic objectives to be attained and the foreign trade policy adopted. A deliberate choice has to be made as to what the permitted imports and the planned exports shall consist of. Attention must be paid, at least over the long run, to keeping the value of imports and the value of exports in equilibrium except in so far as external finance is available on acceptable terms or foreign balances had been accumulated in the past against the rainy day. Imports cannot be dispensed with so long as their real value exceeds the real value of the exports required to pay for them.

9. Indian planners have to operate in a world not of flexible, competitive and free-market economies and free market prices which enable demand and supply to perform their function adequately, but of national markets closely regulated by Governments who often engage themselves to an important extent in the actual conduct of

foreign trade. Further, quantitative controls have become a more important restraint on imports and exports than ordinary tariffs. Currencies are sometimes maintained at non-equilibrium levels and resort is had to multiple exchange rates in external trading operations. All these make further controls on the international trade of the country concerned inevitable.

Bilateral Trade Agreements

10. In the early post-war years, the entire trade of many countries was subject to licencing control and all manner of restrictions. The only effective method of reopening the channels of commerce was through the conclusion of bilateral agreements. Latterly, however, the basis of international trade has been broadened by freer arrangements for payments, liberalisation of trade and introduction of global quotas for imports as against country-quotas. Where quotas still exist, they are minima rather than maxima and an upward revision of the quota is always a possibility. Bilateral agreements now-a-days are largely expressions of goodwill and understanding, and the parties concerned only undertake to establish and cultivate trade relations with each other. A list of commodities is drawn up which the parties to the agreement are prepared to exchange between themselves; but, usually, there is no commitment as to how much of each commodity is to be traded. Further, in recent years, under-developed countries have been making increased efforts to find new markets for their staple products and are trying to establish direct contacts with non-traditional buyer countries without going through intermediaries. Payments agreements seeking a strict value-equalisation of trade between contracting parties still persist and are likely to persist so long as the countries concerned suffer from chronic payments difficulties. In effect, a country resorts to bilateral payments agreements so as to attain a series of bilateral balances aimed at securing a multilateral balance. The net effect of pursuing such a policy is, of course, a shrinkage in world trade. Until 1955, all Japanese agreements with countries outside the dollar and sterling areas aimed at equalisation of trade and involved the settlement of claims through clearing accounts. But the steady improvement in the competitive position of her exports and the substantial increase in her foreign exchange reserves have led her to discontinue such bilateral agreements with a number of countries.

Freer flow of trade

11. The trade liberalisation programme undertaken by the OEEC (Organisation for European Economic Co-operation) countries is bearing fruit in the development of intra-European trade in recent years. There has been a serious attempt to eliminate quantitative restrictions on trade between the member countries. As a result,

the share of intra-European trade in the total imports of OEEC countries rose from 31·6 per unit in 1948 to 44·9 per unit in 1956. There has been a substantial diversion of trade from non-European to European sources. The OEEC trade has to be seen in the context of the large and uninterrupted increase in the tempo of economic activity in Western Europe between 1951 and 1956.

12. Since 1954, the U.S.S.R., Eastern Europe and mainland China have also been taking an increasing part in world trade. The total value of exports from these countries amounted to $2,696 million. in 1956 while imports stood at $2,230 million. The bulk of the foreign trade of this area was mainly on account of the U.S.S.R. The growth in exports of capital goods to the non-industrial countries outside this area has been facilitated by the long-term credits advanced by the Soviet Union. The main recipient countries were in the order of magnitude, Yugoslavia, Egypt, India and Afghanistan. The most striking features of these credits are that they carry interest at 2 to 2·5%, which is about half the usual international lending rate; they provide for long repayment periods and they permit the acceptance of local currencies.

13. Another trend which has become marked in recent years is to be seen in the efforts of countries in various parts of the world to form bigger economic units by the creation of customs unions or compact free trade areas. The republics of Central America and the Arab countries are moving in this direction. There is also the closer economic integration of Western Europe by the creation of the Common Market and the proposed Free Trade Area.

14. After 1952 there has been a gradual improvement in the world payments situation. The gold and dollar reserves of most countries continued to increase and against this background the trading nations have been relaxing their import restrictions and reducing the discriminatory element in those they retained. But several countries in the agricultural group, depending as they do upon the export of a few staple commodities continued to face balance of payments difficulties. This is in sharp contrast to the increase in the gold and dollar holdings of the countries in the industrial regions, particularly in Western Europe. Consistently with the magnitude of their foreign exchange reserves, the commercial policies of the industrial countries have been liberalised while those of the under-developed countries still make full use of tariffs and quantitative restrictions. Even when faced with pressures on their external reserve, the advanced countries have generally avoided resorting to import restrictions and relied more on financial and monetary measures to bring about the needed adjustments.

The I.T.O. and the G.A.T.T.

15. Immediately after World War II, the U.S.A., tried to achieve or rather to restore a multilateral world trading system in which there would be free convertibility of currencies and exchange of goods. One way to this goal lay through the Bretton Woods institutions: the International Monetary Fund and the International Bank for Reconstruction and Development. The other lay in the setting up of an International Trade Organisation specially designed to eliminate quantitative restrictions, reduce tariff barriers and estab-to give up trade controls so necessary to defend their balance of the principle that while one country acting alone might gain from trade restrictions, all gained from their elimination. The International Trade Organisation charter was not adopted by the United States or by the other powers. It was not easy for many of them to give up trade controls so necessary to defend their balance of payments. Every country was keen on every other country abiding by the rules while it was permitted to make use of the exceptions and escape clauses which favoured its position. The charter was thus not ratified by the legislatures of the countries concerned.

16. While the International Trade Organisation failed to mate--rialise, a somewhat parallel measures providing a basis for multilateral reductions in tariff barriers received the assent of 23 nations in Geneva in 1947. The Central Agreement on Tariffs and Trade (G.A.T.T.) is an executive agreement between the contracting governments tending towards the removal of restrictions and discriminations but safeguarding the balance of payments position of each of the countries. The mutual adjustments in tariff rates made at Geneva, Annecy and Torquay are largely ineffective as trade is still hampered by restrictions of all sorts.

Subsidies

17. Governments which are contracting parties to the G.A.T.T. are required to submit annual notifications describing the nature and extent of the subsidies given by them. These subsidies have the effect of reducing imports or of increasing exports. The subsidies on domestic production are designed to give protection to primary industries or to reduce unit cost for consumption in the home market or again to offset the high cost of raw materials domestically produced or imported so as to maintain local manufactures on a competitive basis. In the United Kingdom the food subsidies programme (including production grants) was of the order of £214 million in 1955-56 and expected to amount to £229 million in 1956-57. She also exported to Western Europe cattle and eggs on which production subsidies had been paid. In the United States, the payment of subsidies on the output of oranges and grape fruit totalled £3·3 million in 1956-57. Further, American exporters of cotton textiles **have**

received a subsidy in the shape of an equalisation payment based on the difference between the domestic and export price of the raw cotton content of the goods exported, since the American manufacturer has to pay a higher price for his cotton than what his competitor pays for the same cotton in the foreign market. The United States has also granted a subsidy on exports of frozen poultry to West Germany in order to introduce the new product to that market.

Export Incentives

18. In addition to payments of direct subsidy, there are many measures applied by governments from time to time which have the effect of stimulating their export trade. No direct payment by government to exporters is involved but their effect on trade is similar. The GATT groups these measures under the heading of export incentives. These include remission of direct and indirect taxes, refund of social welfare charges, export credit guarantees, advances to exporters on favourable terms, schemes for currency retention and import entitlement, preferential rates for the conversion of export earnings into domestic currency, promotion insurance under which governments guarantee a proportion of the cost involved in market research, advertising, adaptation of production and the holding of stocks abroad, provision in trade agreements for guaranteed prices which are lower than those prevailing in the country of export and deliveries by governments of imported raw materials at a concession to firms producing for a foreign market. There is a widespread use of these "artificial aids" on the part of many countries though, on the whole, the tendency is also there to surrender them in response to improvements in the foreign exchange situation. It is not the intention of the Committee to recommend that all these incentives should be adopted by India. All that we wish to suggest is that, in planning India's foreign trade and conserving exchange resources in the context of her Five Year Plans, the appropriateness of some of these incentives may be considered.

The European Common Market

19. The European Common Market is of considerable significance to international trade. Six countries of Western Europe, namely, Belgium, France, Western Germany, Italy, Luxemburg and the Netherlands have, in terms of a treaty, set up the Common Market to achieve better co-ordination and co-operation between their respective economies and agreed to abolish all tariffs and import and export restrictions among themselves within a period of 12 to 15 years. To the extent that the ideal of a strong and united Europe is furthered and to the extent that international trade is fostered by this measure the advent of the European Common Market is all to the good.

20. In the final form, the Common Market envisages the close association or rather the incorporation of the dependent territories of the six European member countries in the Market. In order to develop the economies of the dependent territories, a special inevstment fund of $580 million is being set up to be spent over the next five years. France and West Germany are each to contribute $200 million to the fund and the other members smaller sums. Of this amount, no less than $512 million are to be spent on the economic development of French colonial territories mostly in Africa and Madagascar. The inclusion of the colonies and the setting up of this investment fund have some significance to India's own international trade and development.

21. The United Kingdom proposes to associate herself with the European Common Market countries in a European Free Trade Area. The difference between the Customs Union of the European Common Market countries and the Free Trade Area is that the members of the Customs Union have to maintain a common external tariff against non-Union countries whereas members of the Free Trade Area are, while abolishing tariffs in respect of the members of the Customs Union, free to maintain different external tariffs against third countries. With a view to maintaining the Commonwealth connection as well as the system of tariff preferences which is so important for the trade of many of the independent members of the Commonwealth, Britain has specifically excluded agricultural commodities from the Free Trade Area arrangements.

Effect of Common Market on exports

22. We are concerned primarily with the question how far India's exports will be affected by the formation of the European Common Market and the eventual association of the United Kingdom with this market in a Free Trade Area. The table below gives figures of India's exports to the six Common Market countries during the years 1952-53 to 1956-57.

Year	Value in crores of Rs.
1952-53	45·5
1953-54	32·9
1954-55	47·1
1955-56	55·3
1956 (April—Dec.)	32.9

23. Our annual exports to the Common Market countries amount to approximately 8 to 9% of the total. According to present indications, the final external tariff of the Common Market will be the

arithmetical average of the different tariffs now maintained by Belgium, France, Western Germany, Italy, Luxemburg and the Netherlands. Wherever the final common tariff is higher than the tariff at present prevailing in that member of the market to which we export most of a certain commodity, further exports of that commodity are likely to suffer. For instance, cashew kernels will ultimately have a common tariff of 7·5%. Out of our total exports during 1955-56 of cashew kernels worth Rs. 22 lakhs, the Benelux countries took no less than Rs. 18 lakhs worth at the present tariff of 5%. Therefore, ultimately, we are likely to suffer from the higher average duty. Our trade in jute goods is also likely to suffer because the proposed common tariff of about 26% is considerably higher than the present rate of 19% in the Benelux countries. During 1955-56, we exported Rs. 169 lakhs worth of jute goods to the Common Market and the Benelux countries took as much as Rs. 123 lakhs worth. It is clear, therefore, that a higher duty in the Benelux countries would affect our exports of jute goods. Tobacco is another commodity which will be affected similarly, the proposed common tariff of 30% being higher than the rate now prevailing in the Benelux countries. For in 1955-56 these countries took no less than 82% of our total exports of tobacco to the Common Market countries. Cotton waste is yet another example. During 1955-56 we exported Rs. 222 lakhs worth of cotton waste to the Common Market countries. In all these countries, imports of cotton waste are duty-free, save in Italy, where it bears a duty of 8%. It is proposed that the common tariff should be 2%. This will affect our exports of cotton waste because the off-take by Italy of our cotton waste is very low.

24. The second effect of the formation of the European Common Market is that arising from free movement of goods among these six countries. Notable examples are jute manufactures and coir products. The member-countries which are already manufacturing these products will be able, in a larger measure, to meet the requirements of the other members and to that extent our exports will suffer.

25. The inclusion of the colonies may not perhaps have any direct results on our exports to the Common Market countries except in the case of groundnut oil. There will certainly be adverse effects on our exports of cotton textiles and a variety of other products to these colonial territories. Further, to the extent that the special investment fund will go exclusively to finance development projects in these territories, there will be a corresponding reduction in the availability of investment funds to other countries, including India.

26. It is yet too early to say what effect the United Kingdom's proposal to join the Common Market in a free trade area will have on our exports because these will depend on the actual arrangements

made as also on the manner in which the question regarding the origin of goods is going to be settled. If, for example, grey cloth exported from India to the United Kingdom which is processed there and subsequently re-exported to the Common Market or its overseas territories, is going to be treated as goods of United Kingdom origin, our exports of this commodity to the United Kingdom (an important customer) will not be affected. On the other hand, if the processed cloth is going to be treated as of Indian origin, it will have to pay duty in the Common Market and the colonial territories, thereby, affecting our exports of grey cloth to the United Kingdom.

27. We, therefore, recommend to Government that these and related problems should be discussed in the GATT to which the members of the European Common Market also belong with a view to obtaining such concessions and safeguards as will ensure that India's export trade is not materially affected not only with the Common Market countries but also with the members of the proposed European Free Trade Area, including the U.K.

CHAPTER III

THE FOREIGN TRADE OF INDIA: POLICY AND PROGRAMME

The Committee are convinced that India will have to adopt such external trade policies as would best serve the prime national objective which today is the overall development of the economy. Before we examine the ways by which external trade policies can actively assist in achieving balanced internal development, it would not be out of place to trace in broad outline a brief history of India's commerce in modern times.

2. Though recognised as a trading nation even in times of antiquity, India's external commerce was ushered into its modern phase by a series of events in as late as the 19th century such as the final supremacy of the British East India Company over the rival companies of the Portuguese, the Dutch and the French; the invention of the steam-ship which saved time and expense in the transportation of merchandise and the opening of the Suez Canal which greatly reduced the distance between agricultural India and industrial England and the Continent which had emerged, after the Industrial Revolution, as important traders in manufactures. These events gave a new impetus to the development of India's commerce and her political relations with the U.K. determined the main structure and pattern of her foreign trade which has lasted almost to the present day.

Review of India's Foreign Trade (1904—45)

3. During 1904—1914, India's exports averaged Rs. 175·7 crores a year and her imports stood at Rs. 115·8 crores a year leaving a visible trade balance in her favour to the extent of Rs. 59·9 crores every year. In those days, in spite of opposition, something of an industry did spring up in India, namely cotton textiles and an iron and steel industry. However India's main exports consisted of raw materials like raw jute and raw cotton, oilseeds and hides and skins. Tea too was becoming an increasingly important export item. Imports consisted of a variety of consumer goods of all kinds including cotton cloth from the mills of Lancashire. During the war years, namely, 1914 to 1919, India's exports averaged Rs. 216·0 crores a year leaving a favourable balance of visible trade to the extent of Rs. 68·2 crores a year. Thus the First World War did see an appreciable rise in the total value of India's external trade. She also had a comfortable visible balance of trade in her favour. Traditional exports such as hides and skins and jute goods received an additional

fillip during this period and a start was also made with the export of cotton manufactures. During the next 11 years, that is to say from 1919 to 1930, both exports and imports rose in value partly of course as a result of a rise in prices. The total value of India's trade rose from an average of Rs. 363·8 crores during 1914—1919 to an average of Rs. 587·2 crores during 1919—1930. During this period too, on an average, India had a visible balance of trade in her favour. The trade during the next 10 years was greatly influenced by the great depression. India's total foreign trade shrank to Rs. 327·3 crores per annum. This was in keeping with the over-all shrinkage in the world's trade. During the difficult years of the depression and after, India was confronted with a steep fall in agricultural prices and fluctuations in demand. The bare favourable balance of visible trade that she was able to build up in those years was only by exports of hoarded gold. The years of the Second World War, 1939 to 1945, saw important changes in the structure of India's foreign trade and her international obligations. For one thing, cut off as she was from trading with the belligerent nations, she was able to develop her trade with the countries of West Asia and East Africa. Trading with Britain was difficult and uncertain while the markets in the Far East and South East Asia were completely cut off. It was, however, during these years that India was able to build up sizeable sterling assets in her favour. She was able to repay her sterling debts and was also free from the necessity of creating an export surplus merely to meet her obligations in Britain. During this period, there was, further, an improvement in India's terms of trade on account of a sharp rise in the price of primary materials. Again, the war years did afford an impetus to Indian industries with the result that at the close of the Second World War, India was able, though in a small way, to emerge as an exporter of manufactured goods as well.

Post-war adjustment period

4. The three years 1946—1948 were a period of adjustment after the severe shock of five years of global warfare. Imports rose sharply to meet partially the pent-up demand for goods held in check during the years of privation. During these three years imports averaged Rs. 356·1 crores a year, while exports averaged Rs. 331·6 crores a year thereby leaving an adverse balance of visible trade of Rs. 24·5 crores a year. India could, of course, easily afford this deficit on account of the sterling assets she had been able to accumulate during the war years.

5. Then followed the partition of the country which deprived India of her comfortable position with regard to essential raw materials like raw jute and raw cotton and further aggravated the food shortage. True, formerly, rice used to be imported from Burma,

but immediately after 1948-49, on account of natural calamities like floods and droughts, the food shortage became even more serious and imports not only of rice but also of wheat had to be undertaken on a massive scale, at high prices, using up considerable amounts of valuable foreign exchange. There was, further, the acute scarcity of hard currency resources, arising from the massive food imports effected during these years. Instead of her usual favourable balance of trade with the dollar area, India had to face a deficit with this area during these years. Efforts were therefore needed to concentrate attention on exports to hard currency areas as also to achieve some kind of a balance in overall trade. The devaluation of the rupee in 1949 did help to effect some adjustment in India's trade with the dollar area and exports picked up. The rising trend in exports gathered momentum with the Korean war which helped to raise raw material prices steeply. In spite of this boost given to our exports by rising prices, the value of our imports increased even more steeply with the result that during the four years 1948 to 1952 our total adverse visible balance of trade was as high as Rs. 610 crores.

6. It was only at the end of the hostilities in Korea and after we had been able to tackle the more serious aspects of the food situation and the refugee problem that conscious attention could be paid to the question of developing our economy on a planned basis. Foreign trade being an important sector of national economic activity, planning the economy necessarily entails an examination of our external trade policy so that such changes and adjustments as are necessary could be effected to it in the interest of planned development. The position at present is that we earn roughly 50 per cent of our total foreign exchange from three commodities namely, tea, jute goods and cotton textiles. Further, a substantial part of our trade is with two or three countries such as the U.K., the United States of America and Japan. It is therefore obvious that in developing our trade we shall have to concentrate on a diversification of our export commodities as also the exploration of export markets other than the traditional ones. When the economy develops and more industries get established in the country, our foreign trade too will have to shift from its present narrow agricultural base to a broader one wherein both primary commodities and manufactures will be equally important.

Role of foreign trade in economic development

7. It is recognised on all hands that the foreign trade of a country can play a significant role in the development of its economy. Some under-developed countries may have been fortunate enough in building up sizeable foreign exchange reserves with which to finance development programmes in the country. Such instances are rather few and a country which is in need of developing its economy will

have to depend largely on its export earnings in order to finance development. In fact a United Nations study on the question of development of under-developed areas has pointed out that the main directions in which such countries should concentrate their efforts are: an increase in the export of particular commodities, generally primary and processed commodities, by an expansion in their production; and, where this is not possible in the short run, by a reduction in home consumption; export of types of commodities not previously exported; enhancement of the value of export goods by such means as further processing improvement in quality, standardisation, sorting, blending and packing; and undertaking of services (shipping, banking and insurance) in connection with foreign trade which were previously performed bv non-national agencies. By and large, the suggestion, made in the United Nations study do apply to India's foreign trade also.

8. Another weakness of under-developed countries is that their export commodities are subject to sharp fluctuations in prices and in overseas demand. Unless prices are steady at economic levels, the usefulness for an under-developed country of export trade as a method of financing its economic development is considerably diminished. A country cannot, of course, unilaterally hold the prices of its export commodities. It is here that international consultation and co-operation and international action become necessary.

Diversification of exports

9. Though India's foreign trade has been steadily increasing, except during the years of depression, the way in which it has developed and its present structure have been largely conditioned by India having once formed part of the British Empire. Even now a fair proportion of India's foreign trade both in respect of carriage and finance is not in Indian hands. It is of course difficult if not unwise to try drastically to change the structure and pattern of our foreign trade. A sizeable proportion of our exports has always gone to the U.K., and we have always bought a substantial proportion of our imports from that country. While it would neither be possible nor desirable to change the situation, we certainly can and should diversify the destinations of our exports by undertaking direct exports to non-traditional customers who used to buy Indian produce through intermediaries. At the same time, we should also diversify the provenances of our imports. Similarly, we should try to export products which we are now producing in the country but which have not so far figured in any appreciable quantity in our export list.

Stages in the development of trade pattern

10. It is possible to conceive of two broad stages in the development of our future trade pattern. At first, on account of intensive internal development, imports will increase largely due to massive

imports of metals, plant and machinery, transport equipment, mineral oils and industrial raw materials which are the sinews of economic advance, while exports will tend to remain stationary or even show a tendency to decline on account of an increasing proportion of indigenous raw materials and metallic ores being processed within the country and retained for domestic consumption. Imports of capital goods into India will cause an increasing strain on foreign resources, and what cannot be paid for by exports will have to be set against whatever sterling balances still remain to the country's credit and loans and grants by foreign countries. There will, of course be, at the same time, a drastic cut on all non-essential consumption goods coming from abroad. The severity of the strain can in part be cushioned off by appropriate monetary, budgetary and price control policies. India is now passing through this stage.

11. The second stage will have been reached when producer goods will account for most of our imports. The large scale capital investment undertaken during the previous years will begin to yield fruit in the shape of secondary and tertiary industries turning out consumer goods and services which will absorb all the increased national income generated by the implementation of developmental programmes. The texture of India's export trade will begin to change as it will come to consist more of semi-capital goods and consumption goods of a diverse character than of primary products. While India's imports of plant and machinery, metals and transport equipment will be obtained mostly from industrially advanced countries, her exports will be divided between the West and the East. The West will continue to take her semi-monopolistic articles such as jute goods, spices, metallic ores and mica while the East can be expected to buy some of her semi-capital goods, consumption goods both durable and non-durable and the products of her engineering, chemical and pharmaceutical industries.

12. In order that these desirable changes in our export trade may take place, a reorganisation of our export trade policies will have to be undertaken with a view to maximising the gains that accrue from international trade. At the same time, we shall also have to pay greater attention to the need for developing services (which are the means of increasing invisible exports) such as shipping, banking and insurance. Geared as her trade was to that of metropolitan Britain, India's foreign trade used to be carried in British vessels financed by British banks and insured by British concerns. The Government and the trade have now between them to create a whole national apparatus of such services. The undertaking by national agencies of these services will be in the interest of promoting the nation's trade as trade tends to accompany the shipping and banking of the national of a country established in foreign ports and marts.

Export Climate

13. What is needed now is an export climate. While Government can, of course, help to induce such a climate, the translation of the favourable conditions for export into actual export performance can be ensured only by our traders, manufacturers and industrialists. It is, therefore, necessary that they should themselves develop a measure of export consciousness and be prepared to organise themselves to take certain risks and to launch a concerted drive for the promotion of exports.

Essential pre-requisites for a well-articulated foreign trade policy

14. We should consider that the essential pre-requisites for following an active and well-articulated foreign trade policy aimed at maximising exports are:

(a) a sustained increase in production in all sectors—agricultural, industrial, mining etc;

(b) maintenance of prices at competitive levels;

(c) acceptance of the principle that exports should be encouraged even at some sacrifice in respect of domestic consumption;

(d) encouragement of direct trade between India and those of her foreign customers who used to deal with her through intermediaries;

(e) the exploration of new markets for our staple export commodities, and of markets for products new to our export trade; and

(f) research into new uses for our traditional exports, and adaptation of internal production programmes thereto.

15. This is not to say that none of the measures mentioned above have so far been initiated in the country. On the contrary, ever since the tapering off of the Korean war boom, Government have been paying close and continuous attention to the promotion of India's exports. They have already initiated a number of measures designed to help exports from India. Only, in view of the present circumstances, an even closer attention will have to be paid to the measures mentioned above. Further, there should be coordination of all measures taken for export promotion so that our exports are in fact maximised.

Exports as envisaged in the Second Plan

16. The Second Five Year Plan has gone on the assumption that the average annual exports from India will be of the order of Rs. 593 crores during 1956-61. The following table reproduced from the

text of the Second Five Year Plan illustrates the trends envisaged in the exports of our chief commodities:

		1955	Last year of plan, 1960-61	Five year total 1956-61
				(*Rs. crores*)
1.	Tea	112	133	635
2.	Jute yarn and manufactures.	126	118	610
3.	Cotton yarn and manufactures.	63	84	375
4.	Oils (excluding mineral oils)	39	24	110
5.	Tobacco	11	17	75
6.	Hides, skins and leather (raw, tanned and dressed)	27	28	140
7.	Cotton raw and waste.	35	22	110
8.	Metallic ores and scrap iron and steel.	20	27	115
9.	Coal and coke.	4	3	25
10.	Chemicals, drugs and medicines	4	5	25
11.	Cutlery, hardware, vehicles, electric goods and apparatus and machinery.	4	4	20
12.	Others.	151	150	725
	Total	596	615	2965

It will be seen from the above figures that the Planning Commission have taken the average exports in each of the five years of the Second Plan to be slightly less than our export performance in 1955. They have rightly been conservative in their estimates of our exports because a developing economy gives rise to increased incomes and, consequently, increased pressure on domestic supplies. If inflation is to be avoided or at least inflationary pressures generated by spending on development are to be held under check, there should be available in the domestic market a sufficiency of consumption goods. Thus development in effect encourages imports and discourages exports. Even though this might be the natural tendency, we are compelled to strive to the utmost to avoid a growing deficit in our balance of payments which can only have dangerous consequences to our economy. Therefore, even during the process of development, it is essential that we should encourage exports and dispense with non-developmental imports to the extent possible.

Export target to be aimed at

17. We consider that in the present circumstances India's exports will have to be stepped up substantially to Rs. 700 to 750 crores a year from now on. We feel that this is certainly not an over-ambitious target. The rest of this report is devoted to discussing the means by which such an increase in our exports can in all reasonableness be achieved.

CHAPTER IV

INDIA'S FOREIGN EXCHANGE RESOURCES AND BALANCE OF PAYMENTS

The details of the balance of payments of a country give a clear picture regarding the state of its economy. Like the ordinary householder, a nation too can spend only what it currently earns or has saved in the past. It would, therefore, not be out of place at this juncture to undertake a brief survey of India's balance of payments over the past years.

Balance of payments—Definition and significance

2. The balance of payments of a country is a systematic record of all economic transactions between its residents on the one hand and the rest of the world on the other. On the credit side are entered all receipts, on account of goods exported, services rendered and capital received by residents; and on the debit side all payments on account of goods imported, services received and capital transferred from the country. Thus, the economic transactions that figure in the balance of payments are goods and services, donations and investments and monetary gold. Of these, goods and services are by far the most important. Service items, technically known as invisibles, comprise transportation, insurance, trade finance and foreign travel. In several countries, including India, the value of imports is shown inclusive of freight and insurance which are really service charges and, therefore, the credits and debits on account of services are not always fully known. Donations consist of gifts, whether in cash or in goods, remittances and migrant transfers. The distinguishing feature of donations is that they are unrequited *i.e.* one-side. Investments and monetary gold from capital transactions.

3. The balance of payments is a useful guide to monetary, fiscal and trade policies. A decision to revise the bank rate or to impose a tax on exports or imports, or the assessment of a country's credit-worthiness to borrow abroad or its ability to pay for current imports involves an examination of the balance of payments situation. In the accounting sense, the balance of payments always balances as it is based on the principle of double entry *i.e.* the total of credits equals the total of debits. This equality can, however, conceal either strength or weakness in the economy. This is because equilibrium may require a balance in certain particular categories of economic transactions and not merely in the sum total. For example, a

country may have been importing much more than it was exporting. and equilibrium might have been reached only by running down capital assets. Obviously, such a country cannot proceed indefinitely on this basis. Similarly, a country might be continuously exporting much more than it imports and in the process might have accumulated foreign assets. This too cannot proceed indefinitely as its customers will in due time be obliged to restrict their purchases from it.

Review of India's balance of payments

4. An adverse trade balance which is the usual source of a deficit in the balance of payments, can arise in the normal course of trade quite independently of the volition of the country concerned. In such a case, imports may be cut, exports may be stepped up or adjustments may be made to the par value of the currency. It can also arise directly on account of financing economic development in the country. In such an event, imports can be cut only at the risk of abandoning developmental activity and, therefore, the only recourse to restore equilibrium is to promote exports. In our own case today, we are being confronted with the latter situation. As described in the previous Chapter, since 1904 and up to 1945, India almost invariably had a favourable balance of visible trade. This was partly on account of our country being obliged to build up an export surplus for the purpose of meeting what were called "the home charges" i.e. remittances of large sums of money annually to the Secretary of State for India necessitated by the political, economic and financial connections between India and Great Britain. In the depression years such an export surplus could be built up only at the expense of exporting hoarded gold. The years of the Second World War brought about spectacular changes. During this period, Britain and her Allies financed their war expenditure in India in the following manner: The Government of India had to find the rupee finance for the purchase of large quantities of war supplies in India and were re-imbursed by payments in sterling in London. India thus steadily built up increasing sterling balances in England against Government issuing rupee notes within the country for financing war purchases. The volume of such purchases was so considerable that at the close of 1945-46 India's sterling balances in London rose to Rs. 1,621·08 crores from Rs. 71·16 crores in 1938-39. It has, however, to be remembered that these sizeable balances represented the sacrifices that the Indian people had made during the war years on account of scarcity of goods and services of all kinds for civilian consumption generated by an expansion of the currency. It is indeed true that Britain could have financed her war purchases in India in a different manner by exporting gold or capital to India or liquidating British investments in India or raising

rupee loans in the Indian money market and thus avoided inflation. However, by adopting this method of financing the war, India was at least able to transform herself from an international debtor to a net international creditor.

5. Though the considerable sterling balances to our credit in 1945-46 held out the promise that they could gradually be expended on financing economic development in the country, the unsettled conditions prevailing immediately after the War, the need to meet at least partly the pent up demand for goods and services of a population which had undergone great privation during the years of conflict, a succession of natural calamities like droughts, floods and earthquakes which necessitated massive food imports, the partition of the country and the consequent surrender of a share of the balances to Pakistan all these resulted in our net reserves of foreign exchange dwindling to Rs. 912·6 crores in March, 1951 i.e. just before the commencement of the First Five Year Plan. The First Five Year Plan concentrated on certain developments and adjustments to the economy which would make it ready for rapid industrial development. For this reason, the First Plan had only a modest foreign exchange component. That Plan had anticipated for the period January, 1953 to March, 1956 an average trade deficit of Rs. 180 to Rs. 200 crores, giving a total deficit of Rs. 667 to Rs. 727 crores on the basis of the 1948-49 terms of trade. The terms of trade, however, moved against India by about 7 per cent which should ordinarily have made the current deficit larger than anticipated. In point of fact, the current deficit was only to the extent of Rs. 125 crores during the Plan period and was offset by official donations and official loans which amounted to Rs. 196·3 crores. Besides, there was a remarkable improvement in domestic food production necessitating food imports to the extent of only 3 million tons as against the 9 million tons provided for in the Plan. The saving in food imports meant conservation of foreign exchange to the extent of Rs. 300 crores. Moreover, the actual investment in the country was considerably less than what was anticipated and the postponement of the construction of an iron and steel plant and the heavy electrical equipment factory also resulted in a considerable reduction in anticipated imports. There was thus no need whatever to draw down the foreign exchange reserves to the extent provided for. As against an anticipated figure of Rs. 290 crores, the actual decline in foreign exchange reserves was only Rs. 121·3 crores.

Balance of payments: Second Plan

6. On the eve of the Second Five Year Plan, i.e. in March, 1956 our net reserves of foreign exchange stood at Rs. 839·4 crores. The

Second Five Year Plan being much more ambitious than the First Plan and laying great emphasis on the development of heavy basic industries in the country has naturally a very big foreign exchange component. In estimating the foreign exchange resources needed for the execution of the Second Plan, the Planning Commission have gone on the assumption that exports f.o.b. in the quinquennium would total Rs. 2,965 crores and imports c.i.f. during the same period Rs. 4,340 crores leaving an adverse visible trade balance of Rs. 1,375 crores. Taking credit for invisibles excluding official donations to the extent of Rs. 225 crores, it was estimated that the total current account balance in payments would be adverse to the extent of about Rs. 1,100 crores during the entire Plan period.

7. It was proposed that part of the deficit of Rs. 1,100 crores could be financed by drawing down the foreign exchange reserves. The extent of this withdrawal was placed at Rs. 200 crores leaving a gap of Rs. 900 crores to be filled by borrowing in foreign money markets, arranging for export credit for supply of goods from foreign countries, borrowing from the International Bank, loans and grants from UNTAA, private foreign investments and loans and grants from friendly foreign Governments. Taking credit for Rs. 500 crores on all these counts, the unbridged gap was set at Rs. 400 crores.

8. However, during the very first year of the Second Plan, certain developments took place which have made it necessary to re-assess the foreign exchange expenditure on account of the Plan, the likely resources available and the size of the gap. For one thing, the Suez Canal crisis resulted in certain price increases. The size of the Plan itself had to be increased, thereby, increasing foreign exchange requirements. Also, some of the estimates of the foreign exchange content of certain projects in the Plan were on the low side, and had to be stepped up. For these reasons, the gap in foreign exchange resources is likely to be much wider than was originally estimated. Apart from loans and grants, the only effective way of filling this gap is by trying to increase export earnings as much and as quickly as possible so that it may not be necessary to cut developmental imports and thereby cut the Plan.

9. The following table gives details of India's balance of payments during the two fiscal years 1955-56 and 1956-57, i.e. in the last year

of the First Plan and the first year of the Second Plan:

(in Crores of Rs.)

	1955-56 April-March	1956-57 April-March
1. Imports c. i. f.	750.6	1076.5
2. Exports f. o. b.	641.1	637.0
3. Trade Balance	—109.5	—439.5
4. Official Donations	+42.0	+39.8
5. Other Invisibles (net)	+84.4	+107.2
6. Current Account (net)	+16.9	—292.5
7. Errors and Omissions	—5.3	—4.6
8. Official Loans	+6.5	+56.4
9. Other Capital Trasactions (net)	—9.1	+21.7
Movement in Reserves	+15.0	—219.0

It will be seen from the statement above that during 1956-57 there was a precipitous decline in our reserves to the extent of Rs. 219 crores which is larger than the total of Rs. 200 crores originally proposed to be drawn down during the entire Plan period as against a net rise in reserves of Rs. 15 crores in 1955-56. Imports in 1956-57 reached an all time high level at Rs. 1076·5 crores as against Rs. 783 crores originally envisaged. Though exports also improved from the original estimate of Rs. 573 crores to Rs. 637 crores in 1956-57, the visible trade balance remained adverse to the extent of nearly Rs. 440 crores.

Depletion of Foreign Reserves

10. The drain in our foreign exchange began to be felt as early as August or September, 1956 and Government have already taken a number of measures to halt it. Non-developmental imports have been cut to the bone, foreign exchange for travel purposes severely restricted and imports of capital goods allowed only on a deferred payments basis. Recourse was also had to the International Monetary Fund to mitigate the drain to the extent of Rs. 61 crores and negotiations conducted with the International Bank for Reconstruction and Development to finance the foreign exchange requirements of several capital projects. It will take time for these measures to yield results. Meanwhile, the severe strain on balance of payments continues.

11. External assistance has indeed been forthcoming. Such assistance has taken the form of supply of equipment, of commodities in short supply and also the provision of technical experts and

training facilities. Direct external aid in a form which saves foreign exchange has been made available by two recent agreements, one with the Government of the U.S.A. and the other with the U.S.S.R. According to the agreement with the U.S. signed in August, 1956, India secured surplus agricultural commodities (mainly wheat, rice and cotton) to the value of \$ 360 million spread over a period of three years. Payment for these purchases is being made to the U.S. Government in rupees. Out of these rupee proceeds, the U.S. Government will be giving a long term developmental loan to India of \$ 234·1 million and will also make a grant of \$ 54 million. This agreement means two things. It makes additional financial resources available, and it enables India to import essential consumer goods without incurring foreign exchange liabilities on that account in the short run. The U.S.S.R. has given valuable help in the exploration of oil; it has promised a total assistance of about Rs. 63 crores for the Bhilai Steel Plant and has promised a further long term credit of Rs. 500 million roubles to be made available after 1959. Similarly, the International Bank has granted a loan of \$ 75 million to the Tata Iron and Steel Co. and one of \$ 20 million to the Indian Iron and Steel Co. for the expansion of their works. Negotiations are going on for loan assistance for the development of our Railways from the same quarter.

12. Our net reserves of foreign exchange stand at present at Rs. 385·4 crores. On account of the rapid depletion of these reserves, which is likely to continue, we have even had to dip into the reserves meant exclusively as cover for our currency. Serious as the situation is, there is no need to take an alarmist view. For after all, our sterling balances have been used to serve the best interests of the country. Also, so long as the internal economy continues to remain sound and healthy, excessive importance need not be attached to maintaining cover for our currency in the form of foreign exchange reserves. The present pressures on our foreign exchange resources, on the price level, on bank deposits and on investible resources are the result of the high tempo of economic activity in India. These pressures do constitute a crisis in a sense but it is a crisis of progress and of growth, a crisis brought about not by improvident spending but by planned investment running ahead of current resources, both domestic and foreign. A rapidly expanding economy does give rise to some maladjustments of this kind which should not deter us from taking all steps necessary to attain our economic objectives. We are convinced that these maladjustments are transitory and that the disequilibrium that they are now causing will be limited to the short period.

13. As against the depletion of foreign exchange reserves under all categories, India is building up solid assets in the shape of steel

works, heavy industry, multi-purpose projects, transport equipment, power and fuel and various industrial projects in the public and private sectors. Our economy is thus basically sound and progressive and the strength of our rupee is primarily derived from the rapid and all round development of our productive resources. Steel mills, oil refineries and a progressive economy backed by an export surplus can prove to be a better cover for the rupee than treasury bills or foreign securities. The sterling balances having been drawn down to the present extent, the only resource left for the country is to go all out for an export drive to enable it to pay its way and reinforce its foreign payments position.

CHAPTER V

EXPORT PROMOTION: AIDS AND INCENTIVES

In a previous Chapter, we have drawn pointed attention to the urgent necessity for India to embark on a programme of effectively and consciously promoting her exports. Given the present state of the economy and its needs a considerable increase in export earnings, in the short run, is indeed very difficult. This is because, on the one hand the consumption requirements of the country itself are increasing, and on the other, the demand for India's staple exports is somewhat inelastic. In spite of these adverse factors we are of the considered view that the initiation of a number of fiscal measures and the provision of certain facilities can contribute to sustaining our exports at increasingly higher levels.

2. The question of promoting our exports has, we believe, to be tackled with a view to achieving results both in the short run and in the long run. The importance of striving to obtain as large an increase as possible in export earnings within the short run, that is to say between now and 1960-61, cannot be exaggerated in view of the very difficult payments situation we are now facing. The greater our success in promoting our exports in the short run, the better the chances for a smooth and successful implementation of the programmes of development envisaged in the Second Five Year Plan, and, consequently, for making further progress at a higher level of economic activity. On the other hand, there are certain measures which can be expected to yield results only in the long run. All we can do now is to initiate the measures and create conditions favourable to their implementation when the industries with an export potential will have firmly established themselves in the country.

Determinants of Exportability

3. The techniques of export promotion are known the world over and consequently there is nothing novel or revolutionary that we have to suggest in respect of India's exports. All measures of export promotion hinge on the basic fact that, provided there is demand, the sales possibilities of any commodity depend on price, quality terms of delivery and salesmanship.

Devaluation

4. One way of reducing the prices of all commodities in terms of foreign currency is a devaluation of the home currency. We do not

advocate this measure because in the present circumstances this cure is worse than the disease. Even if devaluation results in a slight increase in the quantum of our exports, the demand for our traditional exports not being very elastic, the improvement in exports may be very transitory. On the other hand, it is certain that we will have to pay much more for our imports as a result of devaluation. For these reasons, the Committee dismiss the possibility of depreciating the rupee as a means of export promotion.

5. We now proceed to examine the various factors which enter into and influence these four major determinants of exportability.

6. The price of a commodity to the consumer depends on the cost of raw materials, processing costs, overheads, labour costs, transportation costs, banking and insurance charges, taxes, imposts, cesses and levies. To the extent that all these can be kept low the price of the product can be brought down and thus enable it to be sold in greater volume in the export market.

Importance of Agricultural Production

7. India produces a very wide variety of raw materials. Because it is still a subsistence economy, the relationship between food prices and the general price level in the country is very close which means that the latter can be kept low only if food prices can be kept low. Hence the extreme importance of high agricultural production for the successful implementation of any programme of export promotion. We wish strongly to emphasise this point and would say that without increasing agricultural production (food items and commercial crops), export promotion will not be possible. The Committee are aware that, from a broader point of view, Government themselves attach very great importance to increased farm production in India, witness the recent decision to fix higher targets for agricultural production than those originally envisaged at the time of drawing up the Second Five Year Plan. Unfortunately, the vagaries of the weather still largely determine the size of our food and commercial crops. During the short term, therefore, we have to concentrate on better seeds, better manuring, improved methods of agriculture and more intensive cultivation in order to attain higher levels of agricultural output. In the long run, the various schemes for irrigation now under implementation will, we hope, enable us to increase production still further and contribute to the strength of the internal economy. In the short run we are convinced that substantial amounts of foreign exchange can be earned by the export of vegetable oils. We would, therefore, very strongly recommend that increased production of vegetable oil seeds, especially groundnuts, should receive the most urgent attention of Government.

Raw material prices

8. While discussing the prices of agricultural raw materials, we had primarily in mind commodities such as jute, raw cotton, oil seeds and sugar cane. In respect of industrial raw materials the indications are that we shall be in an advantageous position as regards steel prices as soon as our projected steel works go into production. If we can produce electricity sufficiently cheaply, we should be in a similar position with regard to aluminium for the production of which we are so well placed. But a modern industrialised economy requires a large variety of industrial raw materials all of which we are not in a position to produce at international prices. In respect of export industries using this category of raw materials, therefore, we would recommend that Government policy should be directed towards making them available at prices which will enable the manufactured products to compete in foreign markets.

Processing costs

9. Processing costs have similarly to be kept low. In fact with every advance in science and technology more efficient and cheaper processing methods become available. We should unhesitatingly use methods of production which minimise processing costs—at least in respect of industries which are going to be set up in the country. At the present time, we have in this country quite a number of industrial units using obsolete machinery and out-of-date methods of production—we have particularly in mind certain cotton textile and jute mills. The overhauling of the machinery and techniques of production in our existing industries is as much a social problem as an economic one. It is obvious that while we are trying to develop our economy and create more employment opportunities it would not be wise to embark upon a programme of modernising existing equipment if such a step would only result in a large displacement of labour. Quite rightly, therefore, there is emphasis in the Second Five Year Plan on the development of decentralised and small scale industries which are labour intensive and provide considerable employment opportunities. At the same time, it would be a mistake to expect the products of large scale industries using old machinery and inefficient methods of production to compete in the international market. As a solution, therefore, we would suggest that purely for purposes of export, the most modern methods of production should be allowed even in our present lines of production and that home requirements be met from existing factories using existing equipment and existing production techniques. In new industries, however, which have an export potential, only the latest methods of production should be allowed and the installed capacity in all such

cases should be fixed at a figure which will, in addition to meeting foreseeable domestic requirements, provide for a certain proportion for export. The international trade aspect of industrial development should always be kept in mind because as our economy develops we shall most certainly have to export goods other than jute, tea and cotton textiles in order to pay for our imports, which in turn are likely to increase in value and change in composition as a result of higher living standards and diversified consumption in the country. We can readily say that the kind of products in which we can reasonably expect to have a clear advantage is the group of engineering goods processed out of iron and steel. We therefore earnestly recommend to Government that while fixing targets for industrial production, especially in this field, self-sufficiency should not be the sole criterion and that provision should invariably be made for exports as well.

Overheads

10. The reduction of overheads is a matter within the competence of the entrepreneur and the manufacturer. The manufacturers and industrialists of the country should realise how great a contribution they can make to the health of the country's economy by their active interest in keeping down prices. It, therefore, behoves them to reduce administrative, managerial, organisational and other overheads to the barest minimum in order that simultaneously with passing on the benefit of organised industrial production to consumers within the country the competitive position of their products is strengthened in the export markets. Instead of looking at the internal market, vast as it is, as the sole field of exploitation, they should be more forward looking and regard the whole world as their market. A greater readiness on their part to take the initiative in either exporting on their own account or assisting exporters to market their products abroad will be of help to the foreign trade of the country.

11. Again, two or three shift working should be the rule and not the exception in Indian industries. When raw material availabilities are insufficient to work all the existing units at two or three shifts, the units concerned should consult with each other and concentrate production on the more efficient ones and voluntarily discontinue operating the uneconomic units. Arrangements should be made by the units themselves to pool their resources as well as profits.

Productivity

12. Labour charges form a considerable proportion of the price of the final product to the consumer. During the course of our inquiry, we have heard it urged that labour costs are steadily rising.

It was also strongly represented to us that wages should be related to production and that measures should be initiated for increasing the output per man hour. Closer attention should be devoted to productivity in all industries. Since the aim of productivity schemes is to attain maximum outputs with existing resources, at little or no expense, both labour and management stand to gain. It appears that in certain industries in India, introduction of productivity schemes has resulted in increases in output as high as 400 per cent. It will therefore be seen that costs can definitely be lowered by proper attention to productivity techniques.

13. *Transportation* **costs**

Transportation costs sometimes form a substantial part of the price of a product. In fact international trade does not take place in certain commodities because of prohibitive transportation costs. The extent and efficiency of the transport system of a country is an index of the degree of development of its economy. In this respect, it is obvious that we in India have a long way to go. There is some provision in the Second Five Year Plan on the development of transport facilities in the country. Unfortunately, for lack of resources, we are unable to do all that needs to be done to improve transport.

14. With the existing transport facilities we now proceed to examine what steps will benefit exports. Firstly, since exporters have to work to a time schedule determined by the availability of shipping space, the terms of delivery agreed upon and the period of validity of the letter of credit opened by the foreign buyer, the highest priority should be accorded for the movement of export goods on our railways. There have often been complaints from exporters that on account of export consignments having to take their turn for movement from inland centres to the ports, shipping space has been lost and contracts cancelled. We, therefore, recommend that the Ministry of Railways should accord first priority of movement to export freight.

15. Secondly, a system of concessional railway freights on export consignments will help exports. For example, many textile mills situated in the interior are unable to export their products on account of the heavy railway freights they have to pay, even though their cloth might otherwise be fully competitive in price and quality. Similarly there are bulky commodities like metallic ores the railway freights paid on which result in their f.o.b. prices becoming very high. We are therefore of the view that there is a good case for granting railway freight concessions on the movement of export goods

in the country. It has been suggested that the grant of such concessions will be against the spirit of Section 28 of the Indian Railways Act. We, for our part, do not think the grant of such concessions will be inconsistent with the provisions of Section 28 of the Indian Railways Act. In any case, even if there is inconsistency, Government should not hesitate to amend the relevant section, if they are anxious to help exporters. Instead of fixing special concessional rates for individual commodities, the alternative of fixing railway freights at low levels in respect of movement of certain goods towards the ports may also be considered. Since it would be useful to grant some concession on railway freights to exports, we recommend that Government should examine our proposal in detail on an urgent basis.

16. Our road transport is not very well developed at the moment. Besides, there are all kinds of restrictions on inter-State motor transport. State taxes and State licencing policies in respect of motor transport are retarding the growth of the road transport industry in the country. We would, therefore, strongly recommend that the existing restrictions should be removed and licencing and taxation policies in the States so modified that a healthy and efficient road transport industry develops in the country. The fear that road transport might offer serious competition to the railway system is unfounded because, for a number of years to come, the capacity of the railways is going to be severely taxed on account of the enormous increase in the volume of goods that they will have to carry from one part of the country to another. As for the development of shipping and the incidence of ocean freight on export prices, we propose to postpone discussion to a later chapter.

Taxation of Exports: Export duties

17. We now turn to taxes and their effects on exports. Taxation of exports belongs to that large category in public revenues ordinarily referred to as commodity taxation. It is a species of indirect taxation in the sense that he who buys the commodity in question pays the price and tax as well. The tax often tends to become part of the price. As commodity taxes get absorbed in the price of the commodity, no protest is made by the buyer or consumer, a case of plucking the goose with the least amount of squealing. So far as exports are concerned, they may have to bear several levies: an export duty on the commodity exported, an excise duty, a sales tax, not to speak of cesses, levies and surcharges all of which cumulatively enter into price and reduce the competitive strength of the taxed commodity in the foreign markets.

18. In recent years export duties have become an important source of revenue. These duties are levied primarily as revenue producers. It is assumed that an export duty imposed on commodities in which India had a monopoly or semi-monopoly such as jute, tea, oil-seeds, and manganese ore would fall mainly on foreigners and, in the circumstances, there would be little danger of the production of the commodity being adversely affected. India has now lost much of her competitive position in the export markets, her position of being a monopoly supplier of many commodities is being undermined and, therefore, it is no longer easy to shift the burden of export duties upon foreign buyers. The question of shifting depends today upon the type of product, the extent of competition in the export markets, the relative importance of domestic and foreign demand for the commodity and the elasticity of supply in response to additions in price. A judicious use of export duties for revenue purpose is now a well-established fiscal practice.

19. In the post-war world India, like so many other countries, has levied export duties for purposes other than revenue. Duties may be imposed with a view to giving protection to home-produced goods. Thus they may be imposed upon raw materials in order to safeguard the interests of the Indian producer using these raw materials. Exports will then take the form of the processed or manufactured articles rather than the raw material, a result which cannot be achieved by the alternative method of levying import duties on the finished article. Export control combined with export duty determines the quantity to be exported. Duties of the protective type are those levied from time to time on raw wool, oilseeds, raw cotton, cotton waste and raw jute.

20. Export duties are also levied to absorb surplus purchasing power and to curb the spread of inflation. The occasion for the levy of such duties was the devaluation of the rupee in September, 1949 followed by the Korean war boom a year later. Many duties were levied in order to prevent the price increases abroad from being reflected in India. There was a sudden spurt in the demand for India's exports, and there was a serious threat of a general rise in prices. To mop up the surplus money and also to secure for the State a share of the high profits, export duties were levied on articles such as black pepper, jute manufactures, and cotton textiles. Duties levied with such an object are described as anti-inflationary.

21. When export duties are levied, particularly as a weapon against inflation, there should be a machinery for ensuring prompt adjustments in rates in the light of changing economic conditions. Undue haste in the imposition of the duty or undue delay in its

removal will have adverse consequences for the trade, the foreign buyer and the government. Complaints have been made by exporters in respect of frequent or untimely changes in export duties disturbing the even flow of India's exports.

22. During the course of our discussions we have even heard it urged that export duties should be abolished, especially as in recent years Government have been changing the level of these duties very frequently. Changing export duties, they say, have been a source of irritation and annoyance as much to foreign buyers as to Indian exporters. In the result, over and above the normal business speculation on prices, an additional propensity to speculate is generated by changes in export duties thereby making the overseas buyers either wait and see too long or buy up in too much of a hurry. The exporters in India do likewise and the market is made even less stable.

23. The trade's case for the removal of export duties is that if more than normal profits are made, Government can absorb the extra profits by means of income-tax. We have carefully considered the suggestions made and have come to the view that since export duties do bring in Rs. 40 to Rs. 50 crores per annum to the general revenues, and some commodities can bear these duties, there is no need, at present, that export duties should be completely removed from all commodities. Besides, the remedy suggested, namely, income-tax, is not as effective.

24. The case for levying export duties only at such levels as do not prevent the free flow of trade cannot however be over-stated. The authorities have to keep in the closest touch with price trends in the international market and should not hesitate to lower or abolish export duties when warranted by circumstances. The speed with which they act in response to changing conditions in the international market will decide whether exports are hindered or not. Our recommendation therefore is that, barring exceptional circumstances, Government's aim should be to keep the level of export duties fairly stable over given periods of time. We do appreciate that this is not an easy task; all the same, if the export duty is fixed at a level which allows a margin in favour of the exporter rather than against him it should not be too difficult to keep export duties fairly stable, save of course, in exceptional circumstances.

Export duties and export contracts

25. The trade represented to us that they have often been put to losses on account of export duties having risen between the date of their concluding contracts with overseas buyers and the actual date

of shipment. They have, therefore, suggested to us that in respect of genuine contracts entered into in all good faith the lower export duty should be allowed at the time of shipment.

26. Normally, export duties are a charge on the buyer. It has, however, been alleged that as a result of frequent changes in export duties in India, the tendency latterly has been for foreign buyers to quote prices inclusive of export duty. The question of sanctity of contracts apart, the law as it stands does not permit levy of export duty at a level other than that in force on the date of presentation of shipping bills. If the relevant provision in Section 38 of the Sea Customs Act (1878) is so amended as to make the date of contract of sale the determining date for the levy of export duty, the reverse situation in which export duties fall between the date of contract and the date of shipment will again adversely affect the exporter.

27. A view advanced was that Government could perhaps so modify Section 38 that the exporter is benefited on both occasions by invariably allowing him the lower export duty. We do not know how far this proposition would be acceptable to Government especially when the variations in duty are large.

28. If the date of contract is to be taken as the basis for determining the export duty payable, then a system of registration of all export contracts will perforce have to be introduced. To be effective, such registration will have to be made with the export trade control offices at the various centres in the country within 24 hours of the conclusion of contracts of sale. (This period could be enhanced to 72 hours in respect of traders situated in the interior), But registration of contracts involves yet another procedural and administrative formality without benefiting the exporter on occasions when the export duty is lowered.

29. Unless the exporter is invariably allowed the lower export duty, the risk of a change in it will always have to be faced by the exporter. We have, therefore, come to the view that, subject to what has been stated in paragraph 27 above, it is best to leave matters as they are. Our presumption that in the interest of export promotion, Government can, save in an emergency, be reasonably expected not to increase export duties or levy new ones for some time to come has influenced us in coming to this conclusion.

30. There is however a solution to this problem requiring neither compulsory registration of all export contracts nor an amendment to Section 38 of the Sea Customs Act. This is to enable the exporters to insure themselves with the Export Risks Insurance Corporation

(Private) Ltd., against a rise in export duty. At present, the Corporation is not authorised to cover this risk. We, therefore, recommend that Government should give the Corporation the requisite authorisation so that such exporters as are willing to pay the prescribed premia can cover themselves against this particular risk in their trade.

Excise Duties

31. Historically, in India, excise duties were levied as countervailing imposts to import duties. This meant that excise duties were intended to place indigenous production on a more or less equal footing with imports which had to bear import duties, for instance, cotton textiles. Later as industries developed in India, Government saw the revenue-earning potentialities of excise. Latterly, excise duties have come to be looked upon as an instrument for curbing excessive domestic consumption as instanced by the recent heavy increases in excise duties on textiles and sugar. To the extent that internal consumption is so curbed, somewhat larger surpluses are incidentally made available for export.

32. Since excise duties are a purely domestic levy, exported articles should, of course, not bear them. There are, however, instances in which excise duties are first paid and a refund is applied for after the goods in question have actually been shipped. We were informed that prior to 1st February, 1957 the procedure for obtaining refund of excise duty was rather complicated but that since that date the process had been considerably simplified to the satisfaction of the trade.

33. Very often there is no excise duty on the manufactured product but the raw materials etc., used in its production may have to pay excise. In such cases, we recommend that refund of excise duty on the raw-materials, semi-processed materials etc. used should be granted to exporters of the corresponding manufactures. We would further recommend that in all such cases a flat rate of refund of excise duty should be granted to the exporter on his producing evidence of having exported.

34. Also for purposes of refund of excise duty it is immaterial whether the commodity concerned is shipped direct from the factory or is bought from duty-paid stocks in the market and exported. In the case of direct shipments from the factory, excise duty is not paid at all and there is no problem. We recommend that the ordinary trader or stockist who buys in the open market for export should be eligible for the grant of refund of excise duty on his providing adequate proof of shipment.

Sales-tax

35. The sales-tax is also a purely internal levy and should not be applied to exported goods. At present only the final export transaction is exempt from the payment of sales tax. In order to encourage exports from India, sales taxes paid at the previous stages should be refunded on production of proof by the exporters of these articles concerned having been shipped. We are aware that this would be difficult of implementation inasmuch as sales taxes are levied by State Governments and in practice the commodities concerned might have been subjected to different rates of sales tax and also have changed hands several times. We, therefore, recommend that the refund should be applied to central sales tax as also in cases where the sales tax is proposed to be added as a surcharge on excise duty.

Relief from income-tax

36. A governmental step which can afford some stimulus to exports is a measure of relief from direct taxation. We do not think that such relief should be granted to all exporters; nor do we suggest that it should be a permanent concession. Commodities which are subject to export quotas are usually the ones which can be readily sold abroad at good prices. Therefore, such relief need not be extended to this category of exports. On the other hand, it will be true to say that a variety of non-quota exports are showing a tendency to stagnate. A measure of relief from income-tax on the total turn-over (not profits only) will in all probability increase the quantum of exports. That is to say, if an exporter of cotton textiles has during the past five years exported, on an average, cloth worth Rs. 50 lakhs a year and in the ensuing year shows a better performance by exporting cloth worth, say, Rs. 60 lakhs, he should, we recommend, be afforded some relief which should be related to his total business turn-over, the total income-tax he has to pay, and the increase in exports he has been able to effect. The extent of relief can be increased in cases of substantial increases in exports.

37. There is another category of exports, which, in our opinion, deserves this concession and on a slightly higher scale. We have in mind commodities which have not so far figured in any quantity in our export list like our engineering products, pharmaceuticals and so on. *Ad hoc* measures of income-tax concessions may also be considered for new exporters and for exporters of new products.

38. Indian manufacturers and exporters will increasingly have to open branch offices abroad with a view to keeping in continuous contact with their customers and endeavouring to increase their

overseas transaction. Similarly, whenever the local laws and regulations permit, it will be advantageous for Indian banks and insurance companies to establish branches abroad. The business transactions carried out by these branches will anyhow be taxed by the foreign governments concerned. It will, therefore, encourage our industrialists, exporters and banking and insurance institutions to open branches for pushing up sales and to increase overseas financial transactions if their earnings abroad and home remittances, if any, are not taxed in India in any manner at least during the period of consolidation—say three to five years. In the short period, however, care should be taken that the starting of branches opens up prospects of increasing trade and foreign exchange earnings immediately.

Relief from the operation of sections 42 and 43 of the Indian Income Tax Act.

39. It has been represented to us that the somewhat arbitrary application of Sections 42 and 43 of the Indian Income Tax Act is proving a financial burden to many a category of exporters. It appears that wherever what are considered less than normal profits are made by exporting firms, the income-tax authorities consider them to be agents of foreign buyers and, on that account, make them responsible to pay income-tax on the presumed profits of the foreign buyers.

40. During our discussions with the Central Board of Revenue, we were informed that the provision to tax the presumed profits of foreign buyers was not peculiar to India and that several countries had similar provisions in their Income Tax Acts. They explained that this provision was made to safeguard the interests of under-developed countries and that the United Nations Economic and Social Council had recognised the right of under-developed countries to levy income tax on the presumed profits of foreign buyers.

41. While, prior to independence, there may have been considerable justification for the strict application of Sections 42 and 43 of the Income Tax Act, the trend at present is towards the gradual diminution of agencies and nominees of foreign buyers acting as exporters in India. Many erstwhile agents are now independent of their principals and are exporting on their own account. Therefore, trading with India should not always be construed as trading in India. With a view to helping the export trade, an interpretation with a bias in favour of the exporters should, unless there is proof to the contrary, be put upon export transactions in which what in the view of the income tax authorities are less than normal profits are made. The reason for our suggesting this liberal interpretation is that today the world market is increasingly becoming a

buyer's market and, therefore, the profit margins are becoming narrower and narrower. A relief from responsibility to pay income-tax on the assumed profits of foreign buyers will certainly give exporters an opportunity to reduce their prices slightly and thus put them in a better position to compete in foreign markets.

Drawback of customs duties

42. With the object of placing Indian exporters in a position to compete with their foreign competitors, Section 43(B) and Section 100-A of the Sea Customs Act of 1878 have been enacted. The purpose of these sections is to relieve manufactured goods exported from India of the burden of the import duties paid on raw materials used in the manufacture of such products.

43. During our inquiry, we came across complaints about the administration of the drawback system. The complicated procedures laid down make it very difficult for an exporter to qualify for the refund. Besides, the delays involved in completing the formalities and in obtaining refunds are also said to be considerable. The result of all this is that very few exporters take advantage of the facility of drawback of customs duties.

44. The main difficulties faced by manufacturers and exporters are the requirement under the rules that the goods in question should have undergone *manufacture* in India and that drawback will be applicable only to those materials on which duty has been paid. The essence of these two conditions is to establish identity between the duty-paid imported raw materials and the exported products to the satisfaction of the Customs authorities. The shipping bill for the exported goods has thus to be related to the bill of entry for the particular consignment on which the duty was paid.

45. Further, there is a provision under the Sea Customs Act which lays down that drawback should in no circumstances be more than the extent of the customs duty paid.

46. The conditions laid down, namely, that refunds can be made only in respect of such materials as have paid customs duty and have subsequently gone into the manufacture of exported goods and that the drawback should in no circumstances exceed the amount of the duty paid are legitimate ones. But difficulty arises in practice because the raw materials etc. imported invariably lose their identity during the process of manufacture. Besides, materials of different qualities are imported and pay different duties, especially when customs duties are charged *ad valorem*. Similarly, indigenous materials might have also been partly used in manufacture. Further, the extent of the customs duty paid on imported materials can vary

with price fluctuations and with changes in the tariff levels in the country. To overcome these difficulties, it appears that the Revenue Department have tried to operate on a system of average prices and qualities and payments which take into account both imports and indigenous production of raw materials and component parts. The case of art silk was cited as an example of the simplification so far carried out by the authorities.

47. We, however, feel that the drawback rules will have to be simplified still further if our exports are to benefit substantially. Firstly, we recommend that drawback should be admissible not merely to goods *manufactured* in India out of imported materials but also to imported goods processed, blended, sorted or packed in India. Secondly we recommend that the drawback system should be effectively simplified by granting refunds of customs duty on a flat rate basis, that is to say, at a fixed amount for each unit of goods exported. To illustrate this point, let us take the case of electric fans: insulation material copper/copper wire and some sizes of ball bearings are being imported and customs duties are paid on them. Instead of trying to link each export consignment of fans with import consignments of these materials, we think that it would be preferable to lay down that a certain amount will be refunded on the export of each fan depending upon its size and type. The flat rate of refund can be arrived at and fixed for a specific period of time by an examination of the quantities of imported material going into each size and type of fan etc. Such a detailed cost examination will ensure that Government are not parting with revenues which are legitimately their due and that some effective incentive is given to exporters. We are glad that latterly such flat rate refunds are being authorised: examples, refund of duty on batching oil used by the jute industry, refund of customs duty on imported soda ash on exports of glass and glassware etc. We earnestly recommend to Government that this system be extended to all manufactures exported from India.

48. It will be evident that a deliberately liberal policy in the grant of refund of customs duty at flat rates could be used as a positive and purposeful measure of promoting exports, especially in cases where our costs are high.

Currency retention

49. Currency retention as a device for promotion of exports has been suggested to us by a number of traders. The case of Japan having developed her export trade through this and other measures has been quoted in support of this demand. More recently, Pakistan has also put into operation a currency retention scheme.

50. The basic objection to this device is that it tends to make the home currency less credit-worthy in the foreign market, especially at a time when we have to make special efforts to strengthen the value of the rupee abroad. Similarly when we have such a highly developed import control system which is basically designed to aid the overall economic development of the country, encouragement of even trickless of scarcity-and luxury-value foreign imports would not be desirable. We are, therefore, of the view that no currency retention scheme involving indiscriminate imports should be allowed. Besides, as a member of the International Monetary Fund, we have to eschew measures such as these if they are likely to lead to abnormal shifts in trade.

51. In a modified form, perhaps there may be some case for experimenting with the currency retention scheme. For example, 5 per cent of the increase in exports (by value) of a non-quota item effected by an exporter over his average performance during the three years 1954-57 may be allotted to him for effecting such imports as he likes but allowed under the import trade control policy in force from time to time. In effect, this means that yet another category of importer, namely, the exporter-importer will have to be provided for in allocating foreign exchange for imports. There is really no reason why this cannot be done, for after all it is the exporters who earn foreign exchange and the proposed concession might offer them an incentive to export more. Because we are deliberately suggesting a percentage of import entitlement as low as 5 per cent of the increase in exports, it is not likely that its allocation to the exporter will, in any way, result in an abnormal shift in trade; nor will it, in view of the safeguard provided by the import trade control policy, lead to any expansion in imports. We accordingly recommend the above measure to Government.

52. The cotton textile industry has certain special problems. We have, therefore, suggested a different type of import entitlement to mills which export cloth direct in Section 3 of Chapter XIII.

Fuller utilisation of quotas

53. Another manner in which exports could be increased is by ensuring that export quotas are fully utilised. At present, in a number of commodities export quotas are given to established shippers, newcomers, displaced persons and cooperatives. In issuing export quotas to the latter three categories, the intention is to broad-base the pattern of export trade, to rehabilitate displaced persons and to encourage the cooperative movement. It was presumed that the last three categories of exporters would be able actually to ship the quotas allotted to them, but in practice they find it difficult

to do so. This is because an exporter needs to have foreign connections and continuous contacts in many countries. He must regularly send samples abroad and keep himself and foreign customers well posted as regards quantities available and prices charged. A small quota-holder or a cooperative society cannot afford these expenses on a small turnover; nor will a foreign buyer be interested in devoting his time and money to casual business involving small quantities. Thus it is extremely difficult for the small quota-holder to export on his own. Consequently, what he does to utilise his quota is to nominate an established shipper as an agent to do the work of selling and shipping on his behalf in return for an agreed commission. By this arrangement, the quotas of different quota-holders are pooled together. But the law as it stands at present, does not permit such pooling. We do not see any harm in quotas being pooled together; it enables the fullest utilisation of all export quotas which otherwise would lapse on account of the inability of the small quota-holders to make shipments on their own. Pooling of export quotas was permitted in the case of cotton textiles before their export was freely allowed. This resulted in increased exports and better prices were fetched for our textiles. The Committee do not see any reason why this practice should not be universalised in the case of all commodities the export of which are subject to quotas. We, therefore, recommend that the small quota-holders be permitted to pool their quotas on mutually agreed terms with better placed exporters of the same commodity.

54. Government may further examine the question of permitting all quota-holders to pool their quotas in order to enable them to obtain higher prices abroad and to ensure that the overall quota set apart for exports is actually shipped out of the country.

Import of cheaper substitutes

55. With a view to stimulating exports in certain lines which fetch attractive prices abroad and at the same time ensuring that consumption within the country is not drastically reduced, the Committee would recommend the import of cheap substitutes and the export of better-priced Indian commodities for which there is a good demand abroad. One advantage of adopting this measure is that the even flow of exports is not disturbed and that traditional markets are not lost on account of supplies being available from India in one year and none in the ensuing year. More specifically, we have received the suggestion that cheap Burma or broken rice may be allowed to be imported against exports of good quality Indian rice. Similarly copra/coconut oil or palm oil may be imported in order to make available groundnut oil for export. Also, low

grade sheet rubber could be allowed to be imported against exports of high grade sheet rubber and sole crepe.

56. We realise that there may be difficulties in synchronising exports with imports of the cheaper substitutes. Perhaps, it might be possible to entrust imports of substitutes to an association of exporters of the commodities in question on their undertaking to effect the transaction in a way so as to avoid price fluctuations within the country.

Export Risks Insurance

57. We welcome Government having recently set up the Export Risks Insurance Corporation which is a useful institutional device for promoting exports. The principal function of this Corporation being to insure such risks in export transactions conducted on a credit basis as are not normally covered by commercial insurance, our exporters are likely to put in increased efforts to expand their activities on account of the cover offered by this new facility. Further, since the Corporation will be working on a no profit no loss basis, exporters may confidently expect that the premia they will have to pay will be no higher than they strictly have to be.

58. Among the various risks that exporting on terms other than confirmed irrevocable letters of credit involves and which the Corporation will be covering are: diversion risk, import and export control risks with certain safeguards, insolvency and default risks, war and civil war risks, transfer risks, risks caused by factors beyond the control of the exporter or buyer arising from events outside India and c.i.f. risks. Here then, is a good opportunity for exporters to spread their activities on to a wider field both in terms of commodities as well as markets.

59. As pointed out elsewhere in this report, the insurance facilities offered by the Corporation will encourage banks to make export finance more readily available to sellers in the country. The banks can also help the Corporation to this end by furnishing information on the financial status and credit-worthiness of particular foreign buyers.

60. Further, the Markets Development Plan under which the Export Risks Insurance Corporation offers to share losses due to non-recoupment by sales of expenses incurred on market surveys, stock holding, publicity and other promotional measures will go a long way in helping exporters to find new markets and in developing them. This will particularly be of help in promoting exports of goods manufactured by our new industries. We, however, find that the Corporation will cover this risk as agent of the Government. In the

interests of export promotion we consider it necessary to recommend that Government should agree to make available the facilities of the Market Development Plan to our exporters on as wide a scale as possible.

Canalisation of exports

61. The usefulness of canalisation of exports in the context of export promotion was one of the important points included in our questionnaire. On examining the question from all aspects, we found that in certain circumstances canalisation of exports through a single agency might result in our being able to increase exports. On the basis of our study, we feel that normally there is no need to interfere with the existing arrangements under which a large body of private traders can effectively establish personal contacts and goodwill with their counterparts abroad. However it is possible that in certain trades which face special problems at certain periods of time canalisation may be beneficial. For example, in certain trades there might be inadequate organisation or cooperation among producers, brokers and shippers resulting in excessive speculation and unhealthy competition in the export markets, or the commodity in question might be subject to violent price fluctuations or might be accumulating in the country on account of adverse international prices and so on. To meet such situations, canalisation of exports through single agencies would be a useful device.

62. Such canalisation may either be through a single private agency or a governmental agency. We feel that the decision regarding the choice of the agency should be made on pragmatic grounds. It is our view that in cases where canalisation becomes necessary, the normal trade channels in that line should in the first place be encouraged to cooperate among themselves to organise a single agency, if none is already in existence, to promote exports of the commodity concerned. This kind of canalisation would be preferable to canalisation through a government agency because an organisation of private traders can function more effectively. There may arise situations where it may not be possible for the trade to organise such an association to effect exports notwithstanding the encouragement given. Then only exports should be canalised through a governmental agency. We wish to emphasise that canalisation in any form should be considered as an exceptional measure to be taken in special circumstances alone, for export promotion can be sustained only by encouraging private parties individually to establish contacts abroad.

63. There are a few other measures which can help in the promotion of exports. They are: (a) entrepot trade (b) manufacture in bond and (c) external or multi lateral trade *i.e.* a system by which

goods are purchased abroad and sold abroad without their ever reaching the shores of this country.

Entrepot trade

64. There are certain ports which because of their geographical position and the extent of the port facilities available are able to attract ocean going traffic on a substantial scale and are further advantageously situated for the dispersal of the goods unloaded to neighbouring territories or countries. Singapore, Hong Kong and Beirut are examples. Enterprising merchants congregate at these ports, import large quantities of goods from all parts of the world and re-export them to neighbouring countries thereby earning large amounts as middle-man's profits. In India, however, the major ports are already congested. With the increasing tonnage that these ports will have to handle during the years to come, there is no scope at present, for importing on a large scale merely for purposes of re-export. Besides the countries to which we can export are comparatively at large distances from these ports and lacking as we do adequate shipping and other transport facilities of our own, it would be over-optimistic to think that we can under present conditions make any sizeable profits on re-export transactions.

65. Entrepot trade will be greatly facilitated if the ports concerned are declared free ports, that is to say, no customs duties are levied on commodities landed at these ports. In our case, our ports are major agglomerations of people. In the larger interests of the country we cannot afford to treat Calcutta, Bombay and Madras as free ports and thus discriminate in favour of the inhabitants of these cities against the rest of the population. Further, the difficulties of keeping the port-towns insulated from the rest of the country by customs cordons etc. in order to prevent large-scale smuggling into the interior are practically unsurmountable.

66. In these circumstances, we are of the view that it is hardly possible for us to undertake entrepot trade in India on any substantial scale on a free-port basis. Nevertheless we feel that such trade could take place under a scheme of bonded warehouses or free-zones in the ports concerned. We, therefore, recommend that Government should examine the feasibility of encouraging entrepot trade in India even if this can be only on a very limited scale for the present.

Manufacture in bond

67. This is a very useful procedure for augmenting export earnings. Raw materials, some processed goods etc. are imported free of duty, manufactured in a custom-free zone and are subsequently shipped out of the country. In this process, employment

opportunities are provided to processors etc., in India and handsome profits made on the sale of the finished products. Here, it is only necessary that a certain area in the port premises be declared a customs free zone and the setting up of a customs cordon is not too difficult. Though in congested ports like Madras, Bombay and Calcutta it may be hard to find sufficient space for putting up factories and manufactories, our other developing ports like Cochin and Kandla offer facilities for the encouragement of manufacture in bond. Besides diamonds and pearls for cutting and threading the kinds of export industries that can be established are many. Cigarettes, confectionery, light engineering goods and a host of other consumer goods could be manufactured in this way and exported. Government may, therefore, actively assist the development of manufacture in bond in the country.

External (or multilateral) Trade

68. As said earlier. external trade (or multilateral trade as the U.K. exchange control calls it) consists of buying from certain countries abroad only to sell to other countries abroad. To render such operations successful and profitable, business acumen of a special type is needed. Many countries do carry on a sizeable amount of trade in this manner and earn handsome profits. Our businessmen too could, if they had the requisite financial resources, earn a good amount of foreign exchange in this way. We realise of course, that it may not be possible for us at this stage to make foreign exchange available in any large quantities for financing oversea operations of this nature, but to the extent that such finance can be made available we recommend that Government should encourage our traders to carry on external trading operations, with such safeguards as they consider necessary such as prohibition of operations involving purchases from the dollar area for sale into sterling or inconvertible currencies and so on. This measure, while not directly helping India's own exports, will however enable foreign exchange to be earned for commercial services rendered.

CHAPTER VI

EXPORT FINANCE

The role that credit plays in the production and distribution of goods and services in a developed economy is well known. In fact, a country's banking and credit institutions are as important as its factories and business-houses in contributing to the overall prosperity of the economy. Like other sectors of economic activity, exports also require credit facilities. When such facilities are readily available and on easy terms exports are encouraged.

Need for export finance

2. The exporter's need for credit arises from the fact that he is not able to finance the purchase or manufacture of goods against a foreign buyer's order from his working funds. Besides, in international trade, there is the additional difficulty of obtaining payment from foreigners. Here too, banks play an extremely important part.

How export payments are realised

3. There are several ways in which an exporter can realize the value of his goods from his foreign customer. There is for instance the system of "open account" by which the exporter ships the goods and also despatches the shipping and other documents to his foreign customer without taking any steps to safeguard his position. In effect, by sending the documents he loses all control over the goods he exports, the payments and the shipping documents. Now-a-days, practically no trade takes place in this fashion.

4. The universal practice for an exporter to obtain payment for his goods from the foreign buyer is to draw a bill of exchange on the latter for the price agreed to and invoiced. Such bills of exchange are drawn either under an ordinary commercial contract of sale or under a letter of credit opened by the foreign buyer in favour of the exporter. These bills of exchange are negotiable instruments and pass from hand to hand (*i.e.* are discounted time and again) until final payment is obtained.

5. It may be that in drawing up the bill of exchange the exporter's instruction to the foreign bank is that the shipping and other documents relating to the export consignment are to be surrendered against the acceptance of the bill of exchange by the foreign buyer. In this case, the bill of exchange is callled a D/A (documents against acceptance) bill. In this kind of transaction the exporter usually is

fully satisfied as to the financial status and probity of his foreign customer. For, once the shipping documents have passed into the hands of the latter, the right of possession of the goods involved is transferred to him. If the foreign buyer thereafter does not pay, it will be very difficult for the exporter to realize payment even though he might be able to sue the foreign buyer on the bill of exchange. A less risky alternative to transacting export business on a D/A basis is to sell D/P, that is to say, documents against payment. In this case, the exporter retains full control over his right to the goods exported until such time as his agent or the collecting bank has received payment from the foreign buyer. Even so, if the bill remains unpaid, the exporter runs the risk of having to pay demurrage, customs duties, warehouse charges, insurance etc. in the foreign port. These expenses might land him in a loss as he may have either to do distress selling or to have the goods re-shipped to the country of origin.

Packing credit

6. In India some export is done on a D/A or a D/P basis. However, the practice largely is for the foreign buyer to open a confirmed irrevocable letter of credit with an Indian agent or branch of his own bankers. The exporter is then assured that payment will be forthcoming as soon as he has effected shipment of the goods in question. On the strength of the letter of credit, the bank concerned may be prepared to advance funds to the exporter in order to enable him to purchase goods or have them manufactured. This kind of credit given by a bank to an exporter is called "packing credit". This type of credit is indeed available in some measure in India. It has, however, been represented to us that such "packing credits" should be available in a much larger measure and on easier terms, especially to small and medium exporters in the country.

Trust receipts

7. In foreign countries banks often advance funds to exporters on the basis of contracts of sale entered into by them with overseas buyers. Such facilities are not available in India, save in stray cases. Therefore, one step which will enable exporters to obtain export finance in a larger measure will be the introduction of a system by which banks in India can, against trust receipts executed by Indian exporters, advance funds on the basis of contracts of sale. In order to enable banks to give credit on this basis, certain safeguards are necessary which are described in paragraph 14 below.

8. We now propose to examine how banks and finance institutions can be enabled to grant increased credit facilities to exporters. It is obvious that before advancing funds, the bank will have to satisfy

itself that it will obtain re-payment without difficulty. Therefore, the financial position and credit-worthness of the borrower becomes an important factor. Consequently, it is not possible for banks and financial institutions to make export finance readily available to all and sundry. In order to protect their interests, the banks have also to impose conditions which might seem onerous to the borrower. In the interest of export promotion, a means has, therefore, to be found which will not only enable exporters readily to obtain credit from banks but also ensure that the lender's interests are not in any way jeopardised.

9. Further, even though at present exports are largely effected against confirmed irrevocable letters of credit, business may increasingly have to be transacted on a D/P basis and even on a D/A basis. Here again, it should be possible for an exporter to obtain advances from his bankers in India against the bill of exchange drawn by him on the foreign buyer. Of course, when the exporter is well known to a bank and the bank has complete confidence and trust in his financial position and probity, it may even make available to him clean credit *i.e.* against the bill of exchange un-accompanied by the usual documents. The instances in which clean credit is available to exporters are anyhow bound to be few. We, therefore, think that our banks should increasingly make advances on hypothecated bills. By a general letter of hypothecation, the exporter offers as security to his bankers all bills held by the bank on his account as well as shipping documents, insurance policies, warehouse receipts and all documents of title to the goods to which the documents relate.

10. In order to enable banks increasingly to afford credit facilities to exporters some practical measures will have to be taken to obviate losses on account of the following: (a) commercial and political risks involved in all export transactions on credit terms; (b) the refusal of the buyer without any justification to accept the goods and pay for them; (c) failure of the exporter to ship goods of the quality or of the specifications and/or in the quantities mentioned in the contract of sale and the consequent refusal of the buyer to take delivery and pay for the goods; and (d) failure of the exporter to ship the goods and to deliver the documents to the bank.

Role of Export Risks Insurance Corporation

11. The Export Risks Insurance Corporation (Private) Ltd. will be covering the commercial and political risks mentioned above. To that extent, therefore, the safety of the report finance made available by banks will be assured. Exporters who need export finance facilities would consequently do well to insure their export transactions on credit terms with this Corporation

12. So far as the foreign buyer is concerned, it is clearly not possible to force him to honour his commitments. Resort to legal processes involves delays. In his own interest, therefore, every exporter must make adequate enquiries not only about the financial position but also the business probity of the foreign buyer before entering into a contract of sale with him. To the extent he takes this primary precaution, he not only safeguards himself against losses but also makes it easier for his bank to finance him.

13. As for the failure of the exporter to export goods of the quality and the specifications and in the quantities agreed to, we have suggested elsewhere in this report that a system of pre-shipment inspection should be introduced.

14. The remaining risk, namely, the failure of the exporter to ship the goods and to hand over the documents to his bank can be provided for only by enabling the banks quickly to recover the amounts advanced to the defaulting exporter. This can be ensured if (a) trust receipts, *i.e.*, the documents which exporters execute to obtain credit for exporting goods, could be registered with the Registrar of Assurances or some other authority and (b) upon violation of the provisions of the trust receipts, banks are able rapidly to bring criminal charges against the defaulter. We appreciate that this will require legislation and would, therefore, recommend that the requisite legislation be enacted.

Re-discounting of export bills

15. If exports are encouraged in the various ways suggested in this report, the financing facilities required by exporters may increase to an extent beyond the present resources of our banks. To meet this contingency it has been suggested to us that arrangements should be made for banks being enabled to re-discount bills of exchange. Commercial banks should be able to obtain credit from the Reserve Bank, the State Bank of India and, to a limited extent, even from the Export Risks Insurance Corporation (Private) Limited on the strength of the bills of exchange in their possession. It appears that somewhat similar arrangements are in existence in Germany and Austria. In the interests of export promotion, it is essential that rediscount rates should be materially below the bank rate as the margin of profit to the exporter in the case of several commodities is already very low. A high rate of interest is likely to damp his enthusiasm to increase his overseas transactions. It is understood that the benefit of the low re-discount rate will invariably be passed on by the banks concerned to the exporters.

Small producers'/exporters' cooperatives

16. A word about small producers who have to contend with several difficulties in obtaining export finance. They may be pro-

ducing goods like handicrafts, which on account of lack of standardisation etc. are difficult of valuation and consequently not acceptable to banks for advancing loans. Further, the small producer cannot handle export business on his own on account of its specialised nature and is unfamiliar with exporting procedures, competition in forcign markets, foreign exchange regulations, price movements, trade controls and above all with the minimum economic size of profitable dealings. We are, therefore, of the opinion that small producers' should form themselves into co-operative societies. If they do so, they will be better able to engage themselves in export transactions. Further, the banks would be prepared to finance co-operatives much more readily than small producers on whom much reliance cannot be placed individually. In the matter of financing export co-operatives, we think that the State Bank of India in particular should take the initiative.

The State Bank and foreign trade

17. Apart from helping export co-operatives in this manner, we think that the State Bank should devote increasing attention to developing foreign trade, occupied as it has hitherto been mostly with internal financing. We are aware that there are certain genuine difficulties in its way such as competition from banks already in the line, the need to proceed cautiously and along safe lines and the conditions of clean finance imposed on it by its own regulations. Nevertheless, disposing as it does of sizeable amounts of funds, a part of its resources could, we think, be usefully employed in the earning of foreign exchange by financing overseas trade. The bank has already taken some steps in this direction. For instance, it has decided to liberalise its lending policy with a view increasingly to participate in foreign trade and is entertaining applications for packing credit from exporters in anticipation of exports. We would recommend that the State Bank should further extend its activities on these lines.

Export-Import Bank

18. During the course of our enquiry, it was suggested to us that the establishment of an Export-Import Bank in India would help exporters and importers to obtain better credit facilities for their operations. In our view, it is quite unnecessary to set up an additional institution when existing institutions can provide the facilities required. Besides, an Export-Import Bank does not transact the kind of business carried out by ordinary banks. For example, the American Export-Import Bank finances exports by American manufacturers of capital and allied goods on a medium or long-term credit basis. We think that there is no urgency for the establishment of this type of bank in our country at the present time.

CHAPTER VII

TRADE AGREEMENTS

The conclusion of bilateral trade agreements with foreign countries is a well-known method of strengthening the foreign trade of a country in certain circumstances, based as they are on the principle of buying only from those to whom one can sell. It was during and after the years of the great world depression that trade agreements came into great vogue. On account of these agreements seeking to establish balanced bilateral trade, even today when one talks of a trade agreement, it is often mistaken to be a bilateral deal.

2. Since independence, the Government of India have entered into a number of trade agreements with foreign countries. It would be useful to discuss the nature and scope of these agreements so that their utility as a means of promoting our exports can be assessed.

3. When one talks of a trade agreement between two countries, the general impression is that the contracting parties undertake to exchange goods (either through State agencies or by private parties) up to a certain volume and consisting of stated commodities. These are strictly bilateral agreements. When the balance of visible trade as a result of the implementation of bilateral agreements is zero, they constitute simple barter. In other cases, trade balances may be made convertible into mutually acceptable currencies or they may be blocked or they may be used for specified purposes. It has to be clearly understood that the formal trade agreements entered into by the Government of India with foreign countries are not of this nature and are bilateral only in the sense that they are between two parties.

4. A perusal of the existing trade agreements, numbering about 26 or so, will reveal that, in all cases, exports and imports from India and the country concerned are to be regulated strictly in terms of the import, export and exchange control regulations obtaining in their respective territories. The general foreign trade policy of India being non-discriminatory and multilateral, no special commitments involving departures from this policy are made by Government when entering into trade agreements with foreign countries. Similar considerations animate the latter while concluding trade agreements with India. The result of this is that our trade agreements do not attempt to orientate our foreign trade along specified

channels, nor do they enable any special help to be granted to any specific export commodity which is showing signs of stagnation in the international market.

5. The question can then be asked: of what use are these trade agreements? Firstly, these agreements help enable contacts to be established between makers of foreign trade policy in India and in foreign countries at the highest levels, thereby, conducing to a fuller understanding of each other's policies, the various problems confronting them and so forth. It has to be remembered that prior to independence, there was very little direct contact between India and many of the foreign countries with whom we have trade agreements today. By the publicity given to trade agreements in India as well as abroad, direct contacts between Indian firms and foreign businessmen are fostered and direct sales encouraged.

6. Secondly, our trade agreements enable us to exchange concession for concession with certain countries. For example, the Government of India treat all countries belonging to the Organisation for European Economic Co-operation as falling within the soft currency area for purposes of import and export control. In return for this treatment, the trade agreements with these countries stipulate that they should extend to India the liberalisation measures they have adopted or will be adopting to imports from other members of the O.E.E.C. In some cases (West Germany is an example), we have in addition been able to secure quotas for import into the country concerned of what are called restricted items in return for our treating it as belonging to the soft currency area. The agreement, however, stops at obtaining the quota. Whether trade in the commodity concerned actually fructifies depends on the salesmanship of our exporters and the demand for it in the country concerned.

7. Thirdly, the conclusion of trade agreements with a number of foreign countries provides for certain arrangements for effecting payments for imports and exports. We have here in mind the trade agreements concluded with the U.S.S.R., certain countries in Eastern Europe and China. Indian merchants do not have long experience of direct trading with these countries nor are they acquainted with their currencies or banking systems. In order to help trade to flow between India and these countries, imports and exports are paid for in rupees; the State Banks of the foreign countries concerned maintain rupee accounts with the Reserve Bank of India and several other Indian banks authorised to deal in foreign exchange. Since the balances at the end of any stated period are convertible into sterling on demand, there is no conscious attempt to effect imports from or exports to these countries in a way so as to equalise trade.

8. We think that the three advantages enumerated above are of sufficient importance to our trade and, therefore, we would commend to the Government of India their present practice of renewing existing trade agreements and of entering into new ones as occasion demands.

9. The trade agreement concluded with Egypt on 8th July 1953 has a special feature in that, by an exchange of letters, the two countries have agreed that India will pay for only 60 per cent. of her purchases from Egypt in Sterling, the remaining 40 per cent. being paid in rupees to be utilised by Egypt exclusively for financing her purchases from India. Since India has a heavy deficit of trade with Egypt this measure offers an incentive to Indian exporters to look for increasing trade opportunities in Egypt.

10. The payments part of the agreement further provides that an additional 10 per cent. of Egyptian exports to India will be kept in a special Sterling account to be made available for effecting imports from India in case the 40 per cent. mentioned above should be exhausted. However this special 10 per cent. if not utilised in the year concerned would automatically lapse. Further, if during any one year, Egyptian rupee credits in India exceed Rs. 10 crores, further credits, if any, during that year will be convertible into Sterling. The effect of this provision is that Egypt has agreed to allow her nationals to effect increased imports from India to the extent of Rs. 10 crores a year.

11. There is, however, no commitment on either side as to the actual volume of trade and its composition. The movement of goods and services between the two countries is to be regulated in terms of the rules and procedures in force in the two countries and the normal forces of supply and demand. Even so, as said earlier, at the Governmental level, facilities have been agreed upon for strengthening India's exports to Egypt. It appears that in the year or two following the signature of the agreement, India's exports did not improve to any considerable extent and that the Egyptian Government had consequently bought Indian Government securities out of their rupee balances. In view of the present obstacles in the way of Egypt's trade with several European countries, it may be that that country would now increasingly use its rupee balances for the purposes intended by the payments agreement.

12. It seems to us that agreements of this type could be usefully entered into with other countries with which, bilaterally, we are in heavy deficit. An example is West Germany. We, therefore,

recommend that Government should explore the possibility of negotiating agreements with these countries providing for payment of an agreed percentage of our imports in rupees.

13. Apart from these trade agreements, we would like to stress the advantages that can accrue to our export trade from the Government of India entering into special bilateral arrangements within the broad frame-work of the general policy of non-discrimination and multilateralism. We would, in particular, refer to the recent accords with Egypt and North Viet-Nam by which certain specified commodities are to be imported into the country against specified exports which are meant to supplement the existing level of trade. By carefully choosing both imports and exports, we think it will be possible to use these special arrangements for promoting some of our exports which have not yet found a world-wide market.

14. This should not be taken to mean that India should adopt a strictly bilateral foreign trade policy. Far from it. The advantages of trading on a non-discriminatory and multilateral basis are too self-evident to need elaboration by us. At the same time, it must be remembered that the trade partners in the international world are not all equal nor are they all at the same stage of economic development. Therefore, quantitative restrictions, protective tariffs and so on will have to remain at least for some time to come. What we are emphasizing is that special agreements concluded from time to time for the exchange of specified commodities over and above the normal trade can help to promote our exports.

G.A.T.T.

15. Along with 22 other nations, India is a signatory to the General Agreement on Tariffs and Trade which was drawn up in Geneva in 1947. The object of this agreement is the liberalisation of tariff policies among the signatory countries with a view to the promotion of international trade on a multilateral and non-discriminatory basis.

16. While it is certainly advantageous for India to be a signatory to the General Agreement on Tariffs and Trade in that her trade too will benefit when the various obstacles to international trade which had grown up during the depression and the years of World War II are progressively removed, it has to be remembered that this agreement is not one among countries which are at comparable stages of economic development. The under-developed countries of the world have special problems of their own and their balanced economic development is an urgent necessity. Such development will also not militate against the interests of the industrially advanced countries. The special position of under-developed

countries was indeed recognised when the provisions of the GATT were reviewed during the 9th Session of the signatory countries held in Geneva between October 1954 and March 1955. The GATT recognised, during this session, that in order to conserve foreign exchange to finance development, most under-developed countries will have to maintain quantitative restrictions on imports even when they are not faced with pressing balance of payments difficulties. This is the only manner in which infant industries can be fostered in under-developed countries.

17. The primary objectives of the GATT being the reduction of discrimination laying down rules of fair trading and promotion of the growth of international trade by removing impediments to it, subsidies and artificial aids and incentives to exports are not favoured by the signatory countries. All the same, when an under-developed country embarks on a programme of economic development, it will necessarily have to increase and diversify its exports. The diversification of its exports must necessarily lie in the field of manufactured products, as there is a limit to the expansion of exports in primary commodities which will increasingly be processed or consumed within the country. However, owing to the methods of production employed and the limited internal market, the cost of manufactures in under-developed countries tends to be high, thereby preventing their exports. We are, therefore, of the considered view that under-developed countries should be allowed to give aids and incentives to their exports of manufactures, if found necessary. It is not likely that these aids and incentive will adversely affect the exports of industrially advanced countries because, on the one hand, the latter's products are already well-known and well-established in their principal markets and, on the other, the quantity of manufactures likely to be exported by the developing countries cannot be such as to offer any serious challenge to the products of the advanced countries.

CHAPTER VIII

GOVERNMENT AND EXPORT PROMOTION

Apart from merely providing incentives and facilities, Government can make direct contributions to export promotion through institutional and other arrangements. We propose to examine in this chapter the usefulness of Export Promotion Councils, the role of the State Trading Corporation in the encouragement of exports, the services rendered by the members of our Foreign Service, the necessity for simplifying administrative formalities and procedures and the importance of seeking the co-operation of the people in promoting exports.

Export Promotion Councils

2. Among the various steps that Government have been taking for encouraging exports from India, a notable one has been the formation of Export Promotion Councils for a number of commodities. Such councils have already been formed for cotton textiles, silk and art silk, shellac, mica, engineering goods, tobacco, plastics, cashew and pepper and hides and skins. The advantage of having such councils is that the producers and traders concerned and Government are jointly enabled to devote thought to export problems peculiar to each commodity and intiate measures for promoting exports. Being jointly financed by the industry/trade and Government, the willing co-operation of the trade is assured.

3. The record of work of many of these export promotion councils has been very commendable. The cotton textiles and engineering goods councils have sent delegations abroad. The former has set up overseas offices to undertake publicity as well as sales. The other councils having been formed only recently have yet to undertake a programme of promotional activities. We are sure that their performance will in no way suffer comparison with that of the cotton textiles or engineering councils.

4. Finances are naturally very important for the successful functioning of these organisations. Because this type of council is something new and does involve expense without any assurance of increased business opportunities, the manufacturers and exporters are often reluctant to finance it sufficiently. It is therefore necessary that Government should, in the initial stages, shoulder the major part of the finanacial burden in setting up and running

these councils. In course of time, the trades concerned will be convinced of the usefulness of export promotion councils and be prepared to finance them entirely from their own resources.

5. In view of the good results achieved by these export promotion councils, we recommend that Government should encourage the formation of such councils for commodities not already covered

6. There are at present a number of commodity boards like the Tea Board, the Coffee Board and the Coir Board. Boards in charge of commodities which have an export angle should, we recommend, undertake in a larger measure the functions of an export promotion council in respect of the commodity concerned in addition to their work connected with the internal organisation of the industry, production and so on.

7. Besides economies in expenditure, an integrated approach to export promotion measures can be achieved in part by a proper co-ordination of the activities and programmes of work of the export promotion councils and commodity boards. We propose to examine the way in which such coordination can be ensured in Chapter XII of this report.

State Trading Corporation.

8. State trading is nothing new; it has in fact a long historical past. When the detailed management of all transactions with other countries are taken over by the State and the private trader is completely excluded, pure state trading obtains. But between the extremes of pure private trading and pure state trading, a large number of intermediate arrangements are possible depending upon the degree and range of government participation in trade. It is often said that only communist countries resort to state trading. This is not however so. Some countries reserve trade in certain commodities entirely for the public sector. The tobacco monopolies of France, Japan and Italy are examples of complete state trading in particular commodities.

9. Economists differ on the usefulness or otherwise of state trading. Much can obviously be said for and against the State taking over foreign trade to varying extent. We have now the State Trading Corporation with us. Whether it should have been there or not is not relevant to our inquiry. What is relevant is the role of the Corporation in promoting our exports. In our questionnaire, therefore, we had asked whether the State Trading Corporation could serve as an instrument for the promotion of our exports. Barring stray exceptions, the replies received clearly

showed that our traders and manufacturers do not look upon the State Trading Corporation with any favour, but did not answer the query, namely, the role of the Corporation in export promotion. Some of the replies made the point that, perhaps, the State Trading Corporation would be useful in export transactions with countries which have state-controlled economies.

10. It is, of course, not for us to define the scope or range of the State Trading Corporation's activities. As far as export promotion is concerned, we would say that to the extent the Corporation is able to supplement the existing level of exports and not merely supplant it, it can serve as an institutional device for strengthening our export trade. Since, however, the Corporation has been in existence only for the last 16 months or so, we think it is too early to judge what contribution the Corporation has made in promoting exports from India.

11. The point has been made to us that the State Trading Corporation stands to gain by increasingly associating private businessmen with its activities. It will be an advantage, it was urged, for an organisation which, after all, is run by officials to avail itself of expert professional advice from experienced persons. Also, it was represented to us that the Corporation, being a private limited company, should carry on its business activities like any other private firm and that, consequently, Government should not, save in exceptional circumstances, afford it any privileges or facilities that are not available to the private sector. Further, the Corporation should not be given monopoly rights to export a commodity unless private traders individually or collectively are unable to promote its exports. We think that there is a good deal of weight in these suggestions and would accordingly recommend that Government accept them.

Trade Commissioners

12. The Government of India are maintaining a number of commercial establishments abroad as part of our diplomatic and consular missions. There is no doubt that members of our Foreign Service who are appointed as commercial attaches, secretaries trade commissioners, Consuls and Consuls General can render very useful service to India's export trade. We appreciate that the primary function of these officers is to observe economic and financial developments abroad and report them to Goverment from time to time. In the field of exports, we think that they should also perform the duties of salesmen for the country as a whole. This means that our Foreign Service officers should answer commercial

enquiries from India, help visiting private delegations, businessmen, sales representatives and commercial travellers with trade information and commercial contacts, make a systematic study of the imports by the country in which they are stationed of commodities which India is capable of exporting (this would include an investigation of which are the competing countries, any special tariffs or other concessions available to them, the import licencing system in the country concerned, details of its foreign exchange control, the trade agreements concluded by it, changes in its tariff structure, the development of its industries which would affect its imports from India etc.), undertake special studies on the marketing of commodities of interest to India, investigate the end uses to which imports from India are put, maintain up-to-date lists of importers of Indian produce and establish contacts with them through Chambers of Commerce and other Associations, explain India's commercial policies and industrial development programmes to official and business organisations and generally undertake all activities designed to promote cordial and growing commercial relations between India and foreign countries.

13. Since an overseas commercial establishment can perform the variety of useful functions mentioned in the foregoing paragraph, our general recommendation to Government is that wherever commercial establishments need strengthening by the appointment of additional personnel, such appointment should be made. Further, where we have no commercial representation at present and the provision of this service is important to explore the possibilities of developing exports, new commercial offices should be opened.

14. We think that most of our commercial representatives are genuinely attempting to carry out the various functions described in paragraph 12 above. All the same, we think that it will be useful for Government to impress it on them that the promotion of the export trade of India being of vital importance to the country now and in the coming years, they too should contribute to the success of our endeavour. They should, therefore, re-dedicate themselves to their duties and spare no effort to discharge their trade promotion functions in a fuller and increasingly more effective manner.

15. It would not be out of place at this juncture to say a word about the training and professional formation of our commercial representatives. They are at present drawn from the Foreign Service and many of them have had little or no training in commerce. Younger recruits, by open competition, to the Indian Foreign Service have to spend three years of training on probation.

Their term of training in New Delhi does cover a course of familiarisation with the activities of the Ministry of Commerce and Industry. Also, Commercial Secretaries-designate are being given an opportunity to have discussions with various Chambers of Commerce and other trade organisations on matters relating to India's trade with the country to which they are proceeding before they actually take up their posts. While these arrangements are, of course, of use, we are of the view that more systematic training should be imparted to our commercial representatives. It is essential that in order to enable them to perform their duties satisfactorily, they should have a thorough grounding in India's economy, her import and export trade and above all in business and commercial practice. We would, therefore, strongly recommend that every Foreign Service officer, at some stage or other of his career, should be given a period of training of at least six months in an export house or manufacturing establishment so as to enable him to acquire first hand knowledge of the various procedures involved in foreign trade transactions and, thereby, better prepare him to shoulder his responsibilities.

Procedural and administrative

16. We should like to emphasise that since the planning of economic development entails strict controls on imports and certain categories of exports, the administrative and other procedures involved should be simplified to the extent possible. There was a general demand from the public that formalities relating to customs and excise procedures should be simplified so that undue delay does not occur in the observance of the formalities prescribed by Government in all operations which have a bearing on the export trade of India. We are aware that the Customs Re-organisation Committee appointed by the Ministry of Finance are already examining the question of simplifying customs procedures. In our report we have suggested a number of fiscal and other measures designed to encourage exports from India, such as exemption from excise duties and sales-tax, relief from income-tax, drawback of import duties at flat rates etc. If these fiscal and other measures are really to be effective, the formalities and administrative procedures prescribed for enabling the export trade to avail itself of these facilities should be simple and not difficult of compliance. It is our earnest hope that Government will bear the importance of simplifying formalities continuously in mind.

Public cooperation

17. We have elsewhere pointed out in this report the need to induce an export climate in the country. The ordinary citizen has

to know why, for example, he has to pay a higher price for sugar or why he has to go without normal supplies of vegetable oils or any other consumer goods. Recently, Government explained to the public through the medium of advertisements in the leading newspapers what the effect of certain new or enhanced excise duties would be on retail prices. We think that there is an even greater need for Government to apprise the people of the urgency and importance of export promotion. The country as a whole will then be prepared to put up with any shortages that may develop and willingly undergo any sacrifice that may be needed on its part. With the understanding co-operation of the people and the energy and enterprise shown by our traders and manufacturers, our objective of increasing the level of our exports can be attained.

CHAPTER IX

PUBLICITY AND COMMERCIAL INFORMATION

India has only recently emerged from being merely an exporter of agricultural goods and raw materials and manufactured goods of the type which require little or no help from publicity. The progress she is making in the production of manufactured articles of all kinds is not well known abroad. In order to be able to export the products of the numerous industries that are springing up in the country, an active programme of overseas commercial publicity would be indispensable.

Making Indian goods sell.

2. Due to his having dealt in the past with the kind of goods mentioned above, the Indian trader has not fully realised that to sell goods abroad he must advertise, he must persuade and he must convince. As the American slogan has it, goods now-a-days are sold, not bought. The merchant has to overcome a certain amount of sales resistance on the part of the buyer especially in a competitive world where there are rival sources of supply, to speak nothing of substitutes which may be cheaper and more readily available. The enterprising and ubiquitous Indian trader who, on his own initiative, has penetrated into far away countries has to learn new lessons and new methods of salesmanship adapted to the rapidly changing conditions of the modern world. Prices, quality, standards, suitability for different areas and climates, spares, after-sales service, special selling points, trade terms, business practices, currency and exchange, conditions of entry, methods and channels of distribution, traits, peculiarities, fashions, and culture of the folks who are his potential customers—a knowledge of these constitutes, in a sense, the stock-in-trade of every successful seller.

Packing

3. Indian goods, it is said frequently, price themselves out of foreign markets because of high costs of production; they also push themselves out because of the mal-practices of which a few exporters are occasionally guilty. Or again, in the matter of packing and presentation for overseas markets, exporters do not take sufficient account of the preferences of the foreign buyers and users. For example, in the marketing of goods, colour is of great importance.

The association of colour with the popularity and saleability of an article cannot always be explained in rational terms. They have their roots in age-old folklore, in superstition, in religion, in climate, in race and in politics. Attractive packing and the manufacture of packaging materials has itself become a considerable industry. In Britain there are no less than 1,000 firms engaged solely in the manufacture of covers, packs, holders, sacks and so forth and the annual packaging bill is something like £ 400 million. As one looks at the beauty of packing, one is even apt to forget the contents. But the original purpose of packaging, namely the protection, preservation and presentation of the contents cannot be lost sight of. The attractiveness and efficiency of packing can thus play a decisive role in overseas marketing. We, therefore, recommend to our export trade that they should devote particular attention to packing and agree among themselves on certain minimum standards. The more enterprising ones among them can, at a little extra expense, improve the quality, general appearance etc. of the packings used which will be more than compensated by increased sales.

The role of advertisement

4. One of the principal weaknesses of our export trade, in our opinion, is the lack of advertising support. Several Indian products are not known or appreciated in foreign markets as they are never advertised. The situation calls for an intensive advertisement and propaganda campaign in foreign countries. One solution would be for the Indian manufacturers themselves jointly to undertake propaganda for their products through the medium of the press, the radio, film slides etc. A tried method of achieving such an objective is institutional advertising *i.e.* a campaign like "India can make it". Since the resources of an individual industry and those, *a fortiori*, of individual firms are likely to prove insufficient for an effective and continuing programme of advertising, it would be necessary, for some time to come, that overseas commercial publicity is carried out through a cooperative pooling of resources by the various interests concerned. This experiment of pooling export advertising and channeling it through a single agency has been worked out in Britain and also in Switzerland, particularly in regard to publicity for the latter's watch making industry.

Market Surveys

5. A preliminary to undertaking an export publicity campaign is the conduct of market surveys. These market studies cannot obviously be carried out during the brief visits of Indian businessmen to foreign markets. To be of value, they must indicate

in detail the local terms of business, the character of retail outlets, the range of discount granted to wholesalers and retailers and information on the marketing methods of competitors, the type of publicity required for each commodity and for each market and so on. In foreign countries, such functions are fulfilled by specialised agencies like the JETRO (Japan External Trade Recovery Organisation) in Japan, the BETRO (British External Trade Research Organisation) in U.K. (since defunct) and the now existing BETAC (British Export Trade Advertising Corporation Ltd.). In the setting up of these institutions, the idea is to conduct market research through a specialist organisation. Such an organisation may undertake market research through its affiliates in foreign countries. We should encourage the existing advertising agencies in India to take up the position of a similar organisation. In the meantime, the various export promotion councils and commodity boards, trade delegations, overseas commercial establishments and travelling salesmen will have to undertake market surveys and place their findings at the disposal of exporters.

Exhibitions and Fairs

6. Participating in exhibitions and fairs is an effective method of undertaking commercial publicity. We have noticed with satisfaction that to the extent permitted by our financial resources, we are taking part in the principal international exhibitions. Participation in such exhibitions gives on-the-spot publicity to our products and acquaints buyers abroad with what we have to offer and on what terms. Apart from mere participation in these exhibitions and fairs held abroad, some wholly Indian exhibitions have also been held in the recent past, notably in Cairo, Damascus etc. This is also a step in the right direction, but holding big exhibitions overseas is a very expensive form of advertisement. Our activities in this field will have to be on a limited scale for some time to come. Instead of taking all our goods abroad and exhibiting them in different centres, the alternative of displaying them at home is also useful. The Indian Industries Fair held in the winter of 1955-56 in New Delhi was a pronounced success and we hope that the Federation of Indian Chambers of Commerce and Industry will hold similar exhibitions from time to time in India. We are also maintaining a number of display windows, show-rooms, trade centres and emporia abroad. The maintenance of these will, we are sure, be of help especially in marketing our speciality products in countries like the United States of America and Canada, while demonstration centres in places like Bangkok could serve to introduce the products of our engineering industry to these potential markets.

7. It is of course not merely enough to take part in exhibitions and to display our goods. If interest is evinced abroad, it must be energetically followed up. We have in fact received some complaints to the effect that whenever trade enquiries are received after an exhibition, they are not transmitted expeditiously to the exporters who supplied the samples. It is necessary that such enquiries should be communicated to the exhibitors without delay and that exporters should be in a position to supply sizeable quantities of the goods conforming in every way in quality and standards to those displayed in the exhibition.

Commercial information

8. So far for publicity. In order to undertake a programme of sales promotion, an exporter will have need for commercial information of various kinds: *e.g.*, list of reliable importers, trade statistics, information regarding prices quoted by competitors in foreign markets, level of tariffs abroad, import regulations in foreign countries and so forth. In India today the principal official source of commercial information is the Directorate General of Commercial Intelligence and Statistics. This office, in addition to printing the statistics of India's foreign trade and bringing out the weekly Indian Trade Journal, publishes the periodical commercial reports received from trade commissioners and commercial secretaries abroad. It has also brought out a directory of Indian exporters which can be usefully drawn upon by our trade representatives abroad. Further, the Editor of Publications in the Ministry of Commerce and Industry publishes a monthly journal entitled. "The Journal of Industry and Trade". The annual reports from our commercial officers are also published by the Ministry of Commerce and Industry through this officer. Apart from these official sources, the trade in India has access to commercial information from various non-official quarters, like the bulletins and information circulars issued by chambers of commerce, periodicals like "Commerce", "The Eastern Economist", "Capital", "Indian Finance", "The Economic Weekly" and so on.

Directory of exporters

9. There is definite need for a more comprehensive and authoritative directory of Indian exporters and importers. We believe that it would be best to entrust the compilation of this directory to a non-official organisation like the Federation of Indian Chambers of Commerce and Industry and give the venture ample Governmental support.

Reports on Foreign buyers

10. Every exporter who wishes to transact business with a foreign buyer needs to have reliable information on the latter's financial standing and business integrity. If he is dealing with the Indian branch of a foreign bank, the bank itself is often in a position to obtain a banker's reference for him. In certain cases, he may even seek the assistance of our trade commissioners abroad in order to obtain status reports on foreign firms. Since, however, our trade commissioners have no access to independent information of their own they cannot obviously undertake any responsibility as to the authenticity of the information they are able to obtain from banks and professional institutions like Seyd's in the U.K. who furnish status reports. If Indian banks are encouraged increasingly to establish branches abroad, such foreign branches of Indian banks can also help in providing status reports on foreign buyers for the benefit of Indian exporters. Setting up an agency like Seyd's in India, which was advocated by many traders, will of course not be of much use to Indian exporters. But it will be of immense value to foreign exporters to India. Since we have already suggested elsewhere in this report the desirability of setting up a central Indian pre-shipment inspection and surveying agency and an Indian Arbitration Association, we would, in the larger interests of India's trade, also suggest that an agency like Seyd's should also be established in India, in due course, for the dissemination of status reports on Indian firms to foreign buyers and foreign exporters.

The Directorate General of Commercial Intelligence and Statistics

11. In our terms of reference, we have been specifically asked to enquire into the adequacy of the services rendered at present by agencies like the Directorate-General of Commercial Intelligence and Statistics. As mentioned in paragraph 8 above, the primary function of this office is the compilation and publication of the foreign trade statistics of India. The Indian Trade Journal that is published every week contains the texts of many press-notes and import and export trade control notices issued by the Ministry of Commerce and Industry as well as information regarding the various tenders issued by the Director General of Supplies and Disposals. It also does give information on industrial development, on standards issued by the Indian Standards Institution, certain statistics, trade promotion news, information on price movements, extracts from the reports of Trade Commissioners and Commercial Secretaries and so on. The Journal of Industry and Trade published by the Ministry of Commerce and Industry, through its Editor of Publications contains quite an amount of useful information. But

neither of these journals fully serves the purpose of a constantly up-to-date source of foreign commercial information. We are, therefore, of the view that there is a case for Government bringing out a weekly "Indian Journal of Foreign Commerce" somewhat on the lines of the British Board of Trade Journal and the U.S. Foreign Commerce Weekly. The proposed journal should contain, among other material, a brief weekly review of economic and trade developments abroad of special interest to India and publish such trade statistics of individual foreign countries as would be useful to Indian exporters; special articles on export industries; changes in import or export controls and tariffs abroad; questions asked in the Lok and Rajya Sabhas on our export trade and the replies given; brief details of trade agreements concluded by India and other countries; export opportunities abroad and foreign enquiries in regard to trading with India. Export promotion being a live theme today, the Journal should also devote a page or two in every issue to a discussion of the possibilities of increased exports in particular commodities in the light of trends in domestic production, foreign demand and so on. The proper agency for undertaking this publication should we think, be the appropriate department in the Ministry of Commerce and Industry itself.

12. The Directorate-General of Commercial Intelligence and Statistics has also, at present, the function of answering commercial enquiries, providing trade introductions and above all of using good offices at the official level for the amicable settlement of minor trade disputes between foreign buyers and Indian exporters. We do not think that this office is properly equipped for carrying out these duties. Besides, for reasons more of history than of administrative convenience, this office is situated at Calcutta. We would, therefore, recommend that the Directorate-General of Commercial Intelligence and Statistics be so reorganised that it is entrusted only with the compilation and publication of foreign trade and allied statistics and that the remaining functions be entrusted with the Export Services Department which we are recommending should be set up in the Ministry in Chapter XII of this report. The Publications Division of the Ministry could also be integrated with this new department.

Trade delegations

13. Trade delegations and missions are an important means of ascertaining sales potentialities in foreign countries. Government have been sending a number of official trade delegations abroad and these have resulted in our senior officials and businessmen having

an opportunity to acquaint themselves, at first hand and at the highest levels, with trade and financial conditions abroad. The knowledge gained from these visits should be put to use by individual businessmen undertaking sales tours abroad. We do appreciate that, on account of the present tight foreign exchange position, Government are not able to provide foreign exchange for business travel abroad to the extent desired by the business community. Since travel to the markets concerned greatly helps exports, we recommend to Government that in the case of exporters going abroad specifically for concluding sales contracts or for exploring possibilities of sales, foreign exchange should be allowed on a more liberal basis than now. Similarly travelling salesmen of exporters should also be allowed this concession.

CHAPTER X

INVISIBLE EXPORTS

In addition to importing and exporting merchandise, in the course of international trade, a variety of services are rendered and received by trading nations. The value of these services taken together forms a major part of the invisible trade transacted by the country concerned. Among the most important of these services are: shipping, banking, insurance and tourism. We propose to examine in this Chapter, how far these four categories of services can be increasingly performed by India, so that she is able either to reduce her foreign exchange expenditure on account of services received or increase her foreign exchange earnings by rendering these services in an increasing measure.

A. Shipping

2. International trade implies the movement of goods over long distances. The cost of such movement is an important factor determining the possibility of trade in the commodity concerned. In spite of the development of other means of transport, the bulk of the world trade is even now transported by ocean-going vessels. Adequate facilities in regard to shipping are, therefore, a vital necessity to every trading nation.

3. A country which has goods to export but no ships to carry them is very disadvantageously placed. Firstly, it has to depend upon foreign shipping for the transport of its goods which means that it will have to pay freight rates on which it has little or no say. Secondly, it is not always in a position to obtain the shipping space it needs at the times and to the destinations it wishes. Thirdly, ocean freight representing as it does roughly 15 per cent. of the value of the goods shipped, such a country has to expend considerable amounts of foreign exchange on freights. For all these reasons, every country which has a sizeable volume of foreign trade should endeavour to equip itself with adquate shipping facilities of its own.

4. India is clearly in a very unfavourable position so far as shipping is concerned. She is now able to carry only about 6 per cent. of her foreign trade in her own vessels. Unfortunately, no accurate information on the amount of foreign exchange that India has to spend annually for the movement of her exports and imports is available. It is, therefore, necessary to set up facilities for the

collection of data relating to freights paid on exports and imports and the actual tonnage hauled. For our purpose, we propose to go by certain rough estimates made by non-official organisations. One such estimate is based on the total value of our foreign trade, which in 1955-56 was of the order of Rs. 1400 crores. Assuming a flat rate of freight at 15 per cent. of the value of trade, the annual freight bill amounts to something like Rs. 210 crores. We know that our gross earnings from freights is presently of the order of Rs. 8 crores a year. Allowing for an expenditure of 40 per cent. of this amount abroad on account of purchase of stores, bunkers, port and canal dues, commissions and brokerage etc., the net earnings amount to less than Rs. 5 crores which means a net drain of foreign exchange to the extent of Rs. 205 crores a year. Another estimate has it that the total dry cargo constituting India's exports and imports is of the order of 16 million tons a year excluding coastal traffic and crude oil. The freight bill on the dry cargo amounts to Rs. 155 crores, an estimate which is not far off the previous one, if allowences are also made for the transport of mineral oils. It is expected that during the Second Five Year Plan period there will be an additional 6 million tons of imports necessitating the expenditure of a further sum of Rs. 60 crores as freight. Thus, our having to use foreign shipping services has come to mean that we have to spend increasing amounts of foreign exchange.

Development of merchant marine

5. In any programme of export promotion, the development of national shipping plays a very important role. One has only to look at the example of Japan to realize how great a contribution shipping can make to increase exports and to develop markets. Besides, the great maritime countries of the world like the U.K. and the U.S.A. are earning considerable amounts of foreign exchange as carriers of goods for other countries. The U. K., for example, earns as much as Rs. 216 crores a year from ocean freight, while Italy, Germany and Japan earn about Rs. 100 crores a year. While, of course, it would be over-ambitious on our part to envisage ourselves as international carriers, it would not at all be unrealistic to plan for carrying 50% of our total overseas trade in our own ships within the next 10 years as against 6% at present. Only then will we be in a position effectively to diversify our exports and also develop new markets.

6. The Second Five Plan, however, provides for only 15% of our overseas trade being carried in our own ships. It has been stated that lack of financial resources has been the primary reason for the low target set. Also the initial sum of Rs. 37 crores set

apart for the acquisition of additional tonnage has been expended within the first few months of the Second Plan. Due to the closure of the Suez Canal in November, 1956, freights increased sharply and there was a scramble for ships. Even the prices of second-hand ships went up. The situation has, however, considerably eased now. It is, therefore, necessary that we should once again actively investigate the possibility of acquiring fresh tonnage. We, accordingly, recommend that Government should encourage shipping corporations both public and private to acquire ships, if possible, on a deferred payment basis. Government could under-write the loans and also try to borrow from institutions like the International Bank for Reconstruction and Development for the payment of the initial instalments. We have been given to understand that a cargo vessel of 10,000 tons could earn Rs. 25 to Rs. 30 lakhs a year net, while the price of a new vessel of this size would be only about Rs. 120 lakhs. This means that even within a space of about four years the entire capital cost of the ship could be earned by way of freights. If second-hand ships are brought, the capital cost could be recouped in a period as short as two years. If, therefore, deferred payment facilities are available, loan instalments could be repaid without difficulty from freight earnings. We, therefore, strongly recommend to Government that every effort should be made to acquire fresh tonnage as early as possible.

7. It was recently announced that the Government of India are going to set up a non-lapsing fund for the development of shipping in India. It is proposed to start the fund with a sum of Rs. 12 crores and to build it up to Rs. 50 crores in the next four years. While this is a step in the right direction, we feel that it is absolutely essential to aim at carrying 50 per cent. of our foreign trade in the next 10 years and, therefore, efforts should be made urgently to acquire ships on a deferred payments basis.

Ship-building

8. We understand that steps are now being taken to open a second ship-building yard during the Second Plan period with a building capacity of 120,000 G.R.T. a year. In veiw of the big gap between the shipping tonnage available at present and our requirements, we recommend that planning of a third ship building yard should be started immediately.

Aids and incentives to shipping companies

9. It is usual even for advanced maritime countries to grant to shipping companies special investment allowances for capital expenditure on new ships ranging from 20 per cent. to 40 per cent.

The shipping industry also usually benefits from a number of tax concessions, subsidies and other financial aids. We, therefore, recommend that in addition to providing loans for acquisition of ships at low rates of interest, Government might give sympathetic consideration to the question of selective tax exemptions on amounts spent by shipping companies in the acquisition of additional tonnage.

Increasing participation of Indian shipping

10. There are at present two Indian companies participating in the trade between India and the U.K./Continent. One Indian Company has entered the India/Australia trade, whereas another has begun operating between India and Japan and adjacent countries, but the extent of India's participation in the intermediate ports of these areas is particularly negligible and needs to be increased considerably. As regards services to Mauritius and West African ports, we have only one service which needs to be re-inforced.

11. Even in the lines now open to Indian shipping, Indian companies have to face many handicaps and initial difficulties. For instance, in the trade between India and the U.K./Continent, Indian ships are not permitted by the Conference concerned to lift cargoes from intermediate ports like Colombo and Alexandria, which is a great disadvantage, especially as our potential markets are in West Asia and South East Asia. At present we are unable to ship our commodities to these countries beacuse of the lack of adequate direct sailings from India. It is also necessary to ensure that foreign ships call more frequently and regularly at Indian ports, particularly at Cochin and Kandla, in order to keep pace with the increase in our foreign trade.

12. As the bulk of government-owned export and import cargoes is carried by foreign owned shipping lines, the Committee are of the view that it should be possible for Government to use their good offices in persuading the Conferences to enable and assist Indian companies to participate increasingly on fair and equal terms in all routes and also to make selective as well as general reductions in the freight rates for Indian commodities. We also recommend that Government should encourage the carriage of more of government cargo in Indian vessels. Appropriate instructions to the departments concerned as well as national undertakings like the steel plants etc. would eb of help in this direction.

Freight rates

13. During the course of our enquiry, it was represented to us that the existing level of freight rates on commodities like pepper, engineering goods, aluminium vessels, coir, tiles and coal are too

high and that, given a reasonable reduction, their exports could be increased. We have not been able to enquire into this matter more closely and would, therefore, request Government to examine, whether it would at all be possible to negotiate with foreign shipping lines for a measure of relief from high freight rates on these commodities.

Handing capacity and facilities at ports

14. There was a general complaint that the development of major ports like Calcutta, Madras, Bombay and Cochin has not kept pace with the growing needs of the trade and that there is room for substantial improvement not only in the handling capacity of the ports but also in their operational efficiency. Further, it was strongly urged on us that facilities like warehouses (ordinary and air-conditioned), fumigation facilities, storage facilities for fluids like vegetable oils and molasses were not available in adequate measure. It is, further, necessary that congestion at the ports should be avoided to the extent possible, as otherwise ships are held up for long periods with adverse effects on freight rates to and from India.

15. As for the operational efficiency of the ports, it appears that the piece rate system has acted as a stimulus to dock labour productivity in Bombay, Madras and Cochin. Such a system has not so far been introduced in Calcutta and, consequently, the handling charges in that port for loading and unloading are said to be slightly higher than in the other ports. Further, mechanical devices for loading and unloading have to be increasingly provided for a number of commodities like metallic ores in all these ports.

16. The Committee are aware that in the course of the last 10 years or so, the traffic in each of the major ports has more than doubled. Even so, it is vital that further improvements be made to our major ports and increasing attention be paid to the development of minor ports by the installation of the latest type of machinery and equipment to cope with the increasing volume of traffic.

Development of satellite port near Calcutta

17. One of the steps that can be taken to relieve the heavy congestion at the port of Calcutta through which the bulk of India's export trade passes is to develop a satellite port at a suitable spot further down the Hooghly. At present, due to the vagaries of tides, ships are required to wait longer for a berth in Calcutta than in other ports. Out of the nine berths, only five are now being used for berthing large ships, the remaining having become too shallow. In this connection, the Committee were informed that the West Bengal Government have submitted a scheme to Government for building a subsidiary port at

Geonkhali situated at a distance of 35 miles from Calcutta. The Committee consider that a satellite port will help in relieving congestion at Calcutta and, therefore, recommend that the Geonkhali proposal be actively pursued.

B. Banking

18. According to the sample survey conducted by the Reserve Bank of India for the calendar year 1951-52, about 70 to 75 per cent. of India's import trade and 60 to 68 per cent. of her export trade is in the hands of Indian firms. However, only about 20 to 25 per cent. of the total import trade of the country and only about 25 to 30 per cent. of the total export trade is financed by Indian banks, the remaining, in each case, being handled by the foreign exchange banks. Figures for later years are not available, but it is likely that the proportion of import and export trade carried on by Indian firms and handled by Indian banks has increased. The fact, however, remains that the share of Indian firms and Indian banks in handling and financing the foreign trade of the country is still very small.

19. Inasmuch as a part of the earnings of the foreign exchange banks is remitted abroad it would be desirable that exports (and imports) are increasingly handled through Indian banks. The profits of the foreign banks were Rs. 1·69 crores in 1955 and Rs. 1·61 crores in 1956. The amounts remitted to their head offices by these banks, out of these profits, were Rs. 86 lakhs and Rs. 70 lakhs respectevely. Apart from decreasingly invisible imports on this account, if Indian firms would increasingly patronise Indian banks despite any initial inconvenience and if Indian banks would, on their part, offer attractive terms and satisfactory service (which may often have to be of a personalised character), our banking industry will gain wider experience in foreign trade transactions which will be of benefit to the country as a whole.

20. Apart from trying to transact a higher percentage of our own export and import transactions, another mannner in which Indian Banks can help earn foreign exchange is by opening branches abroad. We have elsewhere in this report (Chapter V, para 38) pointed out how exemption from income-tax on earnings and home remittances by branches abroad would afford banks (and other businesses) an incentive to open such branches abroad. Aside from restrictions imposed by foreign Governments, the reasons for the rather slow growth of Indian banking outside India has been ascribed to the following reasons: insufficient resources, restrictions on remittances to India by the foreign countries concerned, difficulties for senior officers to obtain stay permits or visas in certain countries in order to run these branches.

21. We have gone into these matters and are of the view that, in respect of difficulties regarding remittances and visas, Government could perhaps negotiate for reciprocal treatment with the countries concerned. As for finanial resources, the Reserve Bank could make loans and advances, at low interest rates to banks desiring to open new branches in foreign countries. It should in particular extend facilities regarding the rediscount of export bills purchased by Indian banks. This would involve, firstly, the authorisation of such banks to act as agents of the Reserve Bank for rediscount of bills in foreign centres and secondly inter-governmental agreements for remittance of the rediscounted funds to India

C. Insurance

22. Insurance is another general commercial service which can earn or save considerable amounts of foreign exchange for a country. One has only to take the example of institutions like Lloyds of the U.K. to realise how substantial invisible exports on account of marine and other insurance can be.

23. In India, imports are mostly contracted for on a c.i.f., basis. The amounts actually spent by the country as insurance on the merchandise bought abroad are not accurately known, but imports being of the order of nearly Rs. 1,000 crores now, they are bound to be substantial. The first step, therefore, in trying to save foreign exchange on account of marine insurance etc., will be for Indian importers (Government and private) increasingly to entrust insurance cover with Indian insurance companies. Since the buyer can ordinarily choose his own terms of shipment, we do not think that this measure is impracticable and accordingly recommend it for Goverument's acceptance.

24. As for insurance of exports, it is clearly not possible to insist that insurance cover will be provided by Indian concerns. Wherever foreign buyers are willing to buy c.i.f., of course, Indian exporters should arrange for insurance through Indian firms.

25. Another manner in which insurance can earn foreign exchange for the country is through branches of Indian insurance companies abroad. Our observations with regard to Indian banks operating abroad at paragraphs 20 and 21 above apply with equal force to insurance companies as well.

D. Tourism

26. Tourist traffic is another important source of invisible earnings. In fact for certain countries in Europe like France, Italy etc., receipts from foreign tourists are a substantial part of their

foreign exchange earnings. According to the figures supplied by the Reserve Bank, the following are India's foreign travel receipts and payments during 1952-56:—

(In crores of rupees)

Year	Receipts	Payments
1952	9.8	9.9
1953	7.1	13.6
1954	8.4	12.0
1955	10.3	12.3
1956	13.3 (preliminary)	13.4 (preliminary)

27. We are of the opinion that with improved facilities it should be possible to increase our earnings from Rs. 13 crores to Rs. 50 crores a year. We are aware that the Government of India are already seized of the question of promoting tourist traffic into India and that a number of measures are being taken or are being considered for improving facilities in respect of accommodation, travel, sightseeing, entertainment etc. These measures must be reinforced by a general tourist consciousness at all levels from the Central and State Governments to hotel keepers and travel agents all over the country.

28. In our view, there should be increased provision of hotels and rest-houses not only in the major cities but also in centres of tourist interest like Sarnath, Ellora, Khajuraho, Konarak, Mahabalipuram, Halebid, Belur, Madurai, Tirupati etc. Any private party desiring to build hotels for middle-class foreign tourists should be given loan facilities at reduced rates of interest. It is further necessary that more attention is paid to hygienic and imaginative preparation of food so that Western style food is served in pleasing Indian surroundings in hotels and rest-houses.

29. Air services, connections and coverage are inadequate at present. Charters are exorbitantly expensive and not easily available. There is no off-season concession to foreign tourists and the Indian Airlines Corporation, it is understood, imposes cancellation fees which act as a great irritant to foreign tourists. We would emphasize the need to accord special facilities to tourists or agencies acting on their behalf in the matter of reservations and cancellation charges and accordingly would request Government to examine in consultation with the Indian Airlines Corporation whether these could not be provided.

30. Concessions available on the Indian Railways to foreign tourists do not compare favourably with those available in various other countries. It should be examined by Government whether concessions on foreign scales could not be given to tourists on Indian Railways also.

31. In Europe travel by road is extremely popular. In India, which is a land of distances, the architectural and sculptural monuments, the giant public undertakings like Bhakra Nangal, the Damodar Valley Project etc. are situated in the interior of the country and are accessible only by road. Road transport can, therefore, contribute to promoting tourist traffics. We appointed tourist coaches are, however, conspicuously absent in the Indian scene. Besides, there is no system of conducted bus tours for foreign visitors as in foreign countries. Taxi charges, especially for long runs, are very high.

32. The Committee consider that there will be a larger inflow of tourists into India if there is reduction of taxes on tourist and sightseeing vehicles. Regarding sightseeing, though there are a good number of guides trained by the Transport Ministry, we could do with a much larger number. Many guides cannot speak English in a manner easily comprehensible to foreign tourists and those knowing foreign languages like French, German, Russian etc. are too few in the country.

33. Also, many of the formalities in connection with customs, income-tax clearance, registration with the police etc. could be drastically simplified so that these need not act as a deterrent to tourists as is frequently the case now.

34. Lastly, Government should encourage the setting up of private tourist agencies for disseminating tourist information and publicity abroad. It is understood that the publicity budget of the British Holiday and Travel Association is roughly Rs. 80 lakhs a year, of France Rs. 90 lakhs, of Italy Rs. 65 lakhs and Japan, Rs. 50 lakhs. Most of these countries maintain tourist offices overseas supported by travel agencies, hotels, airlines and steamship companies. The budget allocation, for Indian tourist publicity abroad for 1957-58 is roughly Rs. 25 lakhs. These allocations have to be increased with a view to enable the opening of Indian tourist offices abroad and disseminate more tourist information and publicity. As places of tourist interest are situated in the various States, the State Governments should take a more active interest in promoting tourist traffic into India.

35. We have a special problem in promoting tourist traffic into India. Unlike certain other countries where the tourist has only to be attracted to visit the country concerned by adequate publicity and, after arrival, finds all the facilities for accommodation, sight-seeing, entertainment etc. ready-made for him, in India, the tourist has to be looked after during the entire period of his stay due to our not being sufficiently organised with the necessary arrangements and facilities. Government have, therefore, to take up this additional responsibility and not only undertake increased publicity abroad but also encourage the provision of all facilities required by tourists.

CHAPTER XI

STANDARDISATION AND QUALITY CONTROL: TRADE DISPUTES AND ARBITRATION

We had stated in Chapter V that the quality of a product is an important factor determining its exportability. In fact, continued maintenance of quality and strict adherence to standards are of vital importance in establishing stable and expanding foreign trade connections. Where a reputation for quality has been earned, even the price factor tends to become less important. But, to build up a reputation for quality takes time. In India, today, we feel that as much attention as is desirable is not being paid to maintenance of quality and standards. It is true that left to itself, the trade might ultimately find it in its own interest to maintain quality and standards; but, meanwhile, costly mistakes might, and in all probability will, have been made.

Quality

2. This raises the question, whether we should prescribe certain absolute standards of quality for all our export commodities and prohibit exports of sub-quality goods. We should say that, if there is a demand for sub-quality goods abroad, we should not shut out their exports. What is important is that the foreign buyer should know from the start that what he is being supplied with are sub-quality goods and that the shipments conform to the samples already forwarded.

Standardisation

3. There is an important difference between maintenance of standards and standardisation. It is one thing to say that our export goods should conform to the highest standards of production and quite another to say that export commodities should be standardised. We feel that standardisation is possible only in the field of manufactures. In the case of agricultural commodities which are procured by merchants from a large number of small producers at various marketing centres, the export consignments constitute heterogenous collections and as such there are bound to be variations in quality. Again, the same commodity is put to a number of uses and, consequently, the specifications for the same commodity are bound to vary from country to country, according to the uses to which it is put and also from time to time. On account of these factors, it

would be difficult, in practice, to lay down precise standards in respect of agricultural commodities.

4. Government have realised the importance of grading some of our major agricultural exports. The Agmark scheme of grading has been enforced on a compulsory basis in respect of six commodities namely, tobacco, wool, sann-hemp, lemon grass oil, sandal-wood oil and bristles. In these commodities, we have been told, that there has been an increase in exports since the introduction of the grading scheme. Though, there are complaints that sometimes the standards insisted upon by the Agricultural Marketing Adviser are not always related to the requirements of foreign buyers, we consider that this is only a matter of detail and that the need for grading subsists. Another complaint (this is from the buyers) has been that the grading certificates issued do not, on occasions, correspond with the quality of the relative consignments and, consequently, overseas buyers do not have complete reliance in our certificates. Care should be taken, therefore, that grading inspectors are properly trained and adequately remunerated. Further, in course of time, if all our export consignments are properly graded and certified, foreign buyers will increasingly be prepared to do business on the basis of our grading certificates without questioning them.

5. Since grading does help exports by obviating disputes as regards quality, there is a case for expanding the scope of the present grading scheme to other commodities. The trade, however, usually resists innovations of this kind. It considers grading to be another vexatious administrative formality. There is also the slight expense involved in obtaining grading certificates. Therefore, we should suggest that new grading schemes may be started first on a voluntary basis. They can be progressively enforced on a compulsory basis once the trade itself realises the advantages of having grading schemes. As regards the agency for enforcing these grading schemes, the various Export Promotion Councils and Commodity Boards concerned with goods amenable to grading seem to be the best placed.

6. As regards manufactured goods, standardisation can be undertaken much more easily. The real problem in this field, however, is the range and variety of goods manufactured. To fix and lay down standards for each and every item would indeed be a very difficult task. However, in a selected field, it should certainly be possible to fix standards and to enforce them. The Indian Standards Institution has powers to specify certification marks and to grant, renew, suspend or cancel licences under the enactment known as the Indian Standards Institution (Certification Marks) Act, 1952. Marks should be fixed on the goods produced according to the standards prescribed.

7. We would refer, in particular, to the considerable amount of work already done by the Indian Standards Institution for laying down Indian standards for a variety of engineering and other goods. If our exporters adopt these standards in their production processes and state that their goods have been manufactured according to Indian standards, exports of engineering goods will certainly be assisted. It is not likely that for some time to come, our industries will be called upon to manufacture goods conforming to standards and specifications laid down by the foreign buyer. Therefore, Indian industry should manufacture goods according to Indian standards wherever they exist and also approach the Indian Standards Institution to prepare standards for those goods for which no Indian standards have so far been prescribed. Weanwhile, in respect of these goods, Indian manufacturers could use other internationally accepted standards.

Trade Disputes

8. In the course of international trade, it is not uncommon that disputes arise between buyers and sellers. Adherence to certain norms of quality and standards of production will help to reduce many such disputes. Other grounds on which trade disputes can arise are: non-fulfilment or breach of contract particularly due to short supply, supply of goods not according to samples or specifications contracted for, non-payment of commission due to foreign firms, non-payment of other legitimate claims made by foreign firms and so on. For a country which has an export trade to an annual value of Rs. 600 crores and more and which is making efforts to increase its sales abroad, the need to cultivate the closest understanding and cordial commercial relations between Indian exporters and their overseas buyers cannot be over-emphasised. Such trust and understanding normally results from commercial contacts built up over a period of years. It is unfortunately true that disputes often arise with regard to Indian exports. The complaints usually are that supplies are often made differing from the samples originally forwarded, that the packing is bad, that the weight and other dimensions of export commodities are at variance with what is stated in the invoice or shipping documents and so on. It is not, however, as if all Indian exporters are guilty of these mal-practices. On the contrary, these complaints relate only to a very small sector of our export trade. All the same, it is necessary that efforts be made to obviate even these.

9. The Committee feel that apart from quality control and standardisation, general regulation over the business of exporting, pre-shipment inspection of goods and compulsory arbitration or adjudication of disputes arising out of breaches of contracts could help in removing most causes for complaints against Indian exporters.

Registration of Exporters

10. We recommend that a scheme of compulsory registration of all exporters be introduced. One of the conditions of eligibility for registration as an exporter should be that the applicant should compulsorily be a member of an approved Chamber of Commerce or industrial or trade association. Any complaint against an exporter should be initially dealt with by the Chamber of Commerce or association of which he is a member and, if bad faith on his part is indicated, the Chamber or association concerned should recommend the cancellation of his exporter's licence to Government, who on being satisfied that the Chamber's recommendation is just and fair, should debar the exporter from pursuing this line of activity. In order to prevent arbitrary recommendations by Chambers, the exporter whose licence has been revoked should have the right to have recourse to a judicial officer not below the rank of a District Judge for a revision of the penalty imposed on him.

Pre-shipment inspection

11. Pre-shipment examination of export consignments is yet another method of reducing disputes between exporters and foreign buyers. Apart from helping foreign buyers, such inspection before shipment will be of assistance to Indian exporters too who sometimes find that the goods shipped by them without inspection do not meet with the approval of the foreign inspecting organisations and buyers. The quality, weight, volume, condition of goods and their containers, marks and particulars and all other details should be checked up before shipment is made and an inspection certificate attached to the consignments.

12. The Committee are aware that it will take time to set up the requisite organisation in India for undertaking the pre-shipment inspection of all our exports. In regard to certain commodities and in certain ports, some facilities are now indeed available, but they are not quite adequate and require to be strengthened. At present Indian branches or agencies of the General Superintendence Co. and Lloyds do undertake pre-shipment inspection and surveys. Some Indian Chambers of Commerce also provide limited facilities for pre-shipment inspection. For particular commodities too similar arrangements are available to some extent *e.g.* the Cotton Textiles Fund Committee's scheme for the inspection of export consignments of cloth and the Cotton Textile Export Promotion Councils' ITEX scheme of certification of the same commodity. It would be generally true to say, however, that, for one reason or another, Indian inspecting and surveying agencies have not so far obtained much recognition abroad. We would, therefore, recommend to Government that they should confer with the principal business associations in the country

and investigate the possibility of forming an all-India agency of pre-shipment inspection and surveys by federating the existing Indian bodies into one unit.

Arbitration

13. Complaints regarding the non-fulfilment of contractual obligations can be filed in a court of law. Apart from procedure under law being costly and protracted, the absent party is almost always likely to be dissatisfied if the award is not in his favour. Commercial disputes are, therefore, increasingly settled through arbitration. The normal procedure is the insertion of an arbitration clause of a recognised Chamber of Commerce or Arbitration Association in the contract of sale and if there is any dispute, to submit it to arbitration under the procedure laid down. If the parties concerned are not willing to abide by the award of the arbitrators, they can ask the law courts to pronounce on the award. In certain countries which are signatories to the Geneva Convention on Arbitration, the law courts generally give judgment in terms of the award after satisfying themselves that reference to arbitration was valid, that the proceedings were fair and that the award is enforceable in terms of national policy. In other countries, which are not signatories to the said Convention, the very validity of reference to arbitration can be challenged and the courts will examine the merits of the case *ab initio* which result in the proceedings becoming as complicated as in a regular law suit.

14. Arbitration facilities are available in India to some extent and are being utilised in regard to export transactions in certain commodities. The arbitration facilities of the Bengal Chamber of Commerce and Industry are extensively utilised to settle disputes arising out of shipments of jute goods. The Mill-owners' Association, Bombay has recently drawn up a standard arbitration clause and the facilities extended by the Association can be utilised to settle disputes in regard to textile exports. For other commodities it should not be difficult to set up arbitration tribunals under the auspices of the relevant trade association(s).

15. Till recently, there has been no central arbitration body in India generally to cover disputes arising out of our foreign trade. The Federation of Indian Chambers of Commerce and Industry has since set up an arbitration tribunal, the main purpose of which is to provide the machinery for the settlement of such disputes. Arbitration can be held anywhere in India and the list of arbitrators covers all the industrial and trade interests. The Federation, we understand, has also entered into mutual arrangements with the American Arbitration Association and the Japan Commercial Arbitration Association for the settlement of disputes arising in the course

of our trade with America and Japan, respectively. We, however, learn that the facilities extended by the Federation are not being utilised by the trade to any great extent.

16. Further, at present in many trade contracts, arbitration by foreign associations is provided for. The Indian exporter is at a disadvantage when his dispute is settled in a distant foreign country. Apart from the cost and inconvenience, he often finds it difficult to have his case properly represented before foreign tribunals. The suggestion has therefore been made that Indian commercial officers should, at the request of the Indian party concerned, if backed by a recognized chamber of commerce or trade association, be an observer at important arbitration proceedings held abroad. We do not see any harm in this and would accordingly recommend Government to accept this suggestion. Further, our Trade Commissioners etc. should, in all countries where there are no recognised arbitration associations or tribunals, prepare panels of arbitrators and supply them to the trade in India. This will help Indian exporters to select their nominees in regard to arbitration in these countries whenever occasion demands.

Indian Arbitration Association

17. Disputes in respect of exports from India will most often have to be arbitrated upon in the country of destination as it is usually the condition, quality etc. of the goods in question that are the cause of such disputes. Cases can arise too in which the dispute is on account of the goods never having left this country as when an exporter defaults shipment. Much more of arbitration will have to be done in India in respect of imports from foreign countries and, therefore, a reliable body of impartial arbitrators will be very useful for the country. Like other progressive countries, India too should have, in due course, an Indian Arbitration Association. It may take time for such an Indian Association to obtain international recognition, but a start made even now would certainly be worth while. Once an Indian Arbitration Association is formed, it can gradually enter into arrangements with parallel Associations in other countries and increasingly ensure that such arbitrations as could normally be expected to be conducted in India are, in fact, so conducted. By the fairness and impartiality with which it performs its duties, the Association can establish for itself a high reputation for justice. We therefore recommend that the question of forming an Indian Arbitration Association by pooling and strengthening the facilities now available be studied by the Federation of Indian Chambers of Commerce and Industry, the Bengal Chamber of Commerce and Industry and other bodies and associations presently providing arbitration facilities.

CHAPTER XII

EXPORT SERVICES DEPARTMENT

Co-ordination of export promotion measures

1. We have suggested in this report a number of measures to be taken for the promotion of exports. Different central Ministries are concerned with the different suggestions made and even within the Ministry of Commerce and Industry, different branches, sections or attached offices may be responsible for giving effect to some of the recommendations made. It is, therefore, essential that there is proper co-ordination which can, in our view, be ensured by making a single department or division in the Ministry of Commerce and Industry centrally responsible for all aspects of export promotion.

2. One of our terms of reference was to investigate "the lines on which special agencies such as Export Promotion Councils, Commodity Boards etc. should be developed to become effective instruments for export promotion". We think that the first step is to provide for effective co-ordination of the activities and programmes of work of the different Councils as well as for the closest possible co-operation among them. This too has to be a Government responsibility until such time as the different Councils are in a position to finance themselves.

3. It is an attractive idea to envisage the trading and business community in the country being able, from within their own resources, to set up and finance an organisation which will perform the variety of services and provide the trade information, the commercial intelligence, the market studies and the professional advice that every foreign trader would stand in need of. In fact, non-official bodies in certain advanced countries are running foreign trade information services of their own. In the conditions obtaining in India today, this is hardly possible now or in the foreseeable future. The State has, therefore, an added responsibility.

Foreign Trade Board

4. When the Export Advisory Council met in June last, it was announced that a Foreign Trade Board had been set up in the Ministry of Commerce and Industry with the Director General of Foreign Trade and Joint Secretary in charge of this subject as its Chairman with a view to "bringing about an integrated approach to commercial problems and securing co-ordinated and cohesive

working of the organisations dealing with matters bearing on the country's commerce". It was also mentioned that the Board, consisting as it does, of Joint Secretaries concerned with foreign trade as members would bring about better co-ordination of the different organisations for export promotion. We understand that, currently, the Board is concentrating on measures to promote exports and save foreign exchange.

5. We welcome the establishment of the Foreign Trade Board, as co-ordination of the various aspects of the country's commercial policies is of vital importance. In so far as matters pertaining to export promotion are concerned, we feel that it is not merely enough to have co-ordination at a high administrative level. It is necessary that the policies enunciated and the decisions taken should be translated quickly and efficiently into executive action and concrete work. Therefore, it is necessary to set up a division or department in the Ministry of Commerce and Industry, which will be exclusively concerned with the execution of decisions and policies relating to export promotion. In other words, to obtain the best possible results from good "staff", it is essential to set up an effective "line". As we conceive it, the Foreign Trade Board should have its "line" for export promotion matters in a separate and self-contained department.

Services rendered by the U.K. Board of Trade

6. Even in advanced countries, the State does provide a variety of services to the export trader. In Britain, for example, the Board of Trade has an Export Services Branch which collects and codifies information on tariffs and regulations governing the import of goods in all foreign markets. Up-to-date information on export duties, excises and sales taxes and additional charges connected with the importation of goods is readily furnished. All details concerning packaging, labelling requirements, trade and merchandise marks, documentation and certificates of origin are easily made available to the inquirer. Advice is also furnished on potential agents in export markets, current economic trends, foreign trade balances and changes in the position of foreign currencies. Secondly, the Special Register Service Branch provides, on payment of a fee, information on a wide variety of new materials, products and manufactured goods that will meet the specific interest of individual firms. Thirdly, valuable reports are received from commercial officers attached to British diplomatic missions and consular offices abroad. Fourthly, the Statistics department and library of the Board of Trade are responsible for the collection of trade statistics published in foreign countries. They cover data on production, retail outlets, price indices and statistics that show the flow of trade in specific commodities between the importing and exporting countries. These statistics are to be consulted in combination with the statistics on U.K. foreign trade

compiled by the Customs and Excise departments and made available in the "Trade and Navigation Accounts". Lastly, the Board publishes the "Board of Trade Journal", the Overseas economic surveys and Reviews of commercial conditions.

Export Services Department

7. Most of these functions are indeed being performed in some measure by our own Ministry of Commerce and Industry for the benefit of Indian trade. We, however, believe that the services rendered at present can be greatly improved and enlarged by certain organisational changes. The activities of the Ministry of Commerce and Industry cover a very wide field. Unlike the Ministries of Commerce of Foreign Trade elsewhere, this Ministry is in charge of the wide subject of industries and industrial development as well. In view of the variety and complexity of subjects dealt with in this Ministry, it would not be unreasonable to expect that sections dealing with foreign trade are organised into a homogeneous administrative unit and that, export promotion being of vital importance, there should be an Export Services Department forming part of the foreign trade division. In fact, the suggestion was made to us that an Export Promotion Ministry should be set up with a Minister in charge.

Functions

8. The Ministry of Commerce and Industry has a Directorate of Export Promotion now. A Director of Export Promotion has been recently appointed in addition to the two Deputy Directors who used to be known as Deputy Chief Controllers (Export Promotion), a designation which arose from their formerly having formed part of the import and export trade control organisation. As we see it, this Directorate will have to be considerably strengthened and expanded if it is to perform all the functions that would make a success of any concerted programme of export promotion which may be initiated. We, therefore, recommend that the Directorate of Export Promotion be converted into an Export Services Department and that the new department be entrusted with the following duties:—

(a) Administration of the various Export Promotion Councils and co-ordination of their programme of work as also of the activities in the export field of the Commodity Boards.

(b) Systematic investigation of the flow of exports in every commodity which will include study of price movements, effects of export duty or any other imposts, removal of obstacles or bottlenecks in the export of particular items

etc; following up of the various suggestions made in this report for export promotion, making recommendations to Government for deciding on export policy.

(c) Keeping in close touch with Trade Commissioners; systematic and purposeful processing of all commercial reports sent by them, following up suggestions made by them with the Ministries, trade and industries concerned; initiation of studies on particular lines of interest to the export trade such as market research.

(d) Commercial intelligence, publicity, information and publications. This would include publication of the "Indian Journal of Foreign Commerce", bringing out brochures and pamphlets and special commodity studies; supply to inquirers of trade statistics and other information on foreign countries; advice and assistance to Export Promotion Councils etc. on publicity abroad through the press, wireless and films.

(e) Liaison, public relations and consultative functions such as trade introductions, assistance in regard to arbitration and mediation in trade disputes, pre-shipment inspection and surveys, standard forms of contract.

9. The work of the proposed Export Services Department can thus be conveniently divided into five sections: administration, commodities, research and statistics, information and publicity and liaison and public relations. The commercial intelligence and related sectors of the duties at present carried out by the Directorate General of Commercial Intelligence and Statistics can be brought over to this new department as also most of the work in the present publications set-up. The administrative head of the Department should be a person of high standing, preferably one with wide business and administrative experience. If an officer already in Government is appointed to head it, he should be of the rank of Joint Secretary and also have experience of commercial matters and should not be subject to frequent transfers.

Standing Committee of Businessmen

10. We consider that the work of the proposed department can become effective and of genuine assistance to the export trade only if there is close association between it and the business community. In our discussions with the West German trade delegation which visited India in March-April last, we gathered that the German Government closely associated the German business community in its export promotion policies. We are convinced that such a close association of Indian business with our own official export promotion organisation would be of benefit to our foreign trade. It is true

that at present also there is association of businessmen in the framing of our own export policy as exemplified by the Export Advisory Council. But this Council meets only for a few hours once in six months. What we have in mind is continuous consultation. We, therefore, recommend that a Standing Committee of representatives of Indian business be set up and that it be associated with the work of the Export Services Department. The Standing Committee can consist of seven representatives of Indian trade and industry to be nominated by Government. The Head of the Export Services Department should be the Chairman of the Committee which should meet as often as necessary, and in any case once a month. The Committee should be empowered to co-opt experienced persons for discussions on special problems or particular commodities as occasion demands. The Head of the Export Services Department could thus keep Government continuously informed of the views and recommendations of Indian trade and industry in regard to export promotion, obtain Government's decisions on them and carry them out through the Department.

Field Offices

11. Since this department is meant to be service to the export trade of the country and since most of the exporters are situated at the various ports, it is obvious that the Department should not be concentrated in New Delhi. The administration, research and statistics, commodities, information and publicity sections can of course, be entirely in Delhi while the liaison and public relations sections should have field officers of the rank of Deputy Director with the appropriate complement of staff in Bombay, Calcutta and Madras to begin with, in addition to the central section in Delhi. These field officers should work in close co-operation with the foreign trade control offices at these ports and should, preferably, be housed in the same building. The field officers should perform all the functions delegated to them by the Head of the Export Services Department in their respective jurisdictions.

12. We think that the proposals made in this chapter are feasible and would be of benefit to the export traders in the country. Accordingly, we recommend that an Export Services Department as described in the foregoing paragraphs be set up in the Ministry of Commerce and Industry.

Chapter XIII

COMMODITIES: A SURVEY

For purpases of analysis, the commodities that enter into our export trade can be broadly divided into three categories. To the first category belong jute goods, tea, cotton piecegoods, hides and skins, tobacco, metallic ores, coal, cotton waste, shellac, cashew kernels etc. the internal production of which is normally sufficient to provide a large surplus for export. To the second category belong commodities like vegetable oils, raw cotton, sugar, certain spices like chillies, etc. in the case of which the export policy has always been influenced by considerations like adequate supplies for internal consumption and holding the domestic price line. To the third category belong certain articles which have either only recently began to figure in our export list or are difficult to sell, be it on account of their price, non-availability in large quantities in standard sizes or patterns or other reasons. Miscellaneous engineering goods, handloom textiles, coir manufactures and handicrafts are examples.

2. Under competitive conditions and when the market turns into a buyer's one, exports will not be easy. They have to be supported, nursed and fostered in foreign markets. Gone are the days when we had a comfortable monopolistic position with regard to certain traditional exports of ours like jute goods and manganese ore. Each of the three categories of exports we have mentioned above is meeting with different resistances in sales and we have, therefore, thought it fit to take up a commodity-wise survey of our exports with a view to bringing out broadly the problems facing each commodity and suggesting how they can be tackled within the general framework of the fiscal and other measures we have recommended in the earlier chapters for promoting their export.

3. The methods and measures for export promotion that we have recommended apply *mutatis mutandis* to the commodities that are now in our export list or that will presently figure there. With respect to export stimulation by fiscal, monetary and other aids, each commodity should be considered as having its own special characteristics and therefore the range and intensity of the measures to be applied will vary. We have taken up for consideration all our staples, that is, all our major foreign exchange earners and a considerable number of commodities which at present appear to be of minor importance but will have greater export possibilities. The list of commodities that we have dealt with is, however, illustrative rather than exhaustive.

1. *Jute Manufactures*

4. Jute goods are our biggest foreign exchange earner contributing on an average 20% to our total foreign exchange earnings every year.

5. Time was when jute, being the cheapest packaging material available, could be readily sold in every part of the globe. At that time, India was the sole producer of this fibre and could easily afford to send even raw jute abroad for processing. Today, the position is very different. For one thing, the partition of the country cut India off from its chief source of raw material. Secondly, we have begun to face competition in the jute manufactures trade and with the passage of time, this competition is only likely to become more intense. Thirdly, substitute packaging materials have ousted jute goods to some extent and the nature of the former industries is such that even if the prices of jute goods are comparatively more advantageous the costly equipment installed for the manufacture of substitutes cannot be scrapped and the demand switched back to jute.

6. Cheapness being the strongest point in favour of jute textiles, it is essential that raw jute prices are kept at the lowest levels possible consistent with an economic return to the grower. Dependence on Pakistan for supplies would not be very expedient because that country, having already set up a number of jute mills, will increasingly try to process its own raw jute. Therefore, every effort has to be made to increase raw jute production in India. Jute and paddy being competing crops, the main direction of efforts to increase jute production should be towards more intensive cultivation and not merely an expansion in the area under jute and the development of special strains which yield a greater quantity of fibre per plant than now. The Committee have noted with satisfaction that these matters are already under the serious consideration of the Government of India and that more recently a Jute Supervisory Board has been set up with a view to keeping the closest watch on the production trends of jute.

7. The increasing competition in the world market on account of the emergence of Pakistan as a manufacturer of jute goods can be countered in two ways: (a) by reducing our cost of production of the ordinary lines of jute goods, namely, hessian and sackings and (b) by increasingly concentrating upon the production of specialised fabrics of jute such as narrow fabrics, linoleum hessian, bitumenised cloth, backings for tufted carpets and also by finding out new uses to which jute fibre can be put. In regard to costs of production, the Committee are aware that a number of mills have already been partially or fully modernised. The National Industrial Development Corporation which is assisting the jute industry in its programme of modernisation and rehabilitation should ensure that the programme is speeded up as much as possible.

8. The industry has been presently reduced to limiting the number of hours of working of the existing mills and the sealing of a certain percentage of the looms already installed. This is not a very healthy state of affairs for a major export industry. The Committee consider that one way of meeting the present difficult situation would be to endeavour to grow types of jute at present being imported ultimately aiming to limit the manufacture of jute goods to the extent of raw material availability within India. Meanwhile production can be concentrated on modernised mills working two or even three shifts. If the different jute mills could co-operate in this matter, a number of uneconomic and old-fashioned mills could be closed and the labour so displaced employed by the modernised mills working three shifts. Also, the working capital and profits could be pooled together for the benefit of the industry as a whole. As and when more raw jute becomes available in the country, more mills could be brought on to work three shifts. We recommend this proposition for the serious consideration of the jute industry and Government.

9. The competition from substitute packing material chiefly paper and cotton bags, can be met to some extent by this measure and also by intensive propaganda for jute which has got certain advantages over paper and cotton. The paper industry advertises on a large scale and therefore it is necessary that an equal amount of publicity should be given for jute goods also. Besides exploring to the fullest extent what further possibilities there are for sale of hessian and jute sacks in traditional markets like the U.S.A. and Australia, new markets should be explored. We understand that there are distinct possibilities of increased exports of jute fabrics to the U.S.S.R., several countries in Eastern Europe, China and Latin America. The Indian Jute Mills Association have been and are giving a good deal of publicity to jute goods. They have sent special trade delegations to the U.S.A. and Australia for promoting jute exports. They should intensify their publicity and sales promotion campaigns.

10. A suggestion received by the Committee for increasing jute exports is that Government should consider the desirability of insisting that Government imports of Commodities like cement and fertilisers should not be allowed unless packed in jute bags of Indian manufacture. The paper bags in which imported cement is usually packed often bursts in transit and their contents have often to be re-packed in jute bags.

11. It is well-known that the jute mills in the United Kingdom have concentrated upon certain special lines of jute manufactures. With our long experience in the manufacture of jute fabrics, it should not be difficult for us to produce these special varieties at competitive prices. We, therefore, recommend that Indian jute mills

should increasingly endeavour to manufacture the specialised items and reduce, to that extent, dependence upon common fabrics like hessian and sackings. Government may, therefore, examine how Indian jute mills can be encouraged to produce these special fabrics.

12. During our inquiry, the Indian Jute Mills Association had informed the Committee how it would benefit exports of jute if the customs duty paid on imported batching oil used in the processing of raw jute could be refunded. We are glad to note that, recently, Government have agreed to grant this facility to the jute industry.

13. Apart from the known uses for jute, research could in all probability show to what further uses jute and jute fabrics can be put. We, therefore, hope that the Research Institute set up by the Indian Jute Mills Association will concentrate on discovering yet other uses for this material.

14. Our average exports of jute goods for the last two to three years have been of the order of 850,000 tons a year. It should be our aim, with increasing cultivation of jute in the country, to step up exports to a million tons a year.

2. *Tea*

15. Tea vies with jute manufactures as one of our principal foreign exchange earners. India is by far the largest single producer of tea in the world, her share being more than 50% of the total world production. In recent years, our tea production has been somewhat static at 650 million lbs. and exports have averaged 450 million lbs. a year. The U. K. is our most important customer for tea, taking as she does nearly two-thirds of our total exports. The prosperity of the tea industry in India thus depends in the main on the demand for tea in the U.K. Apart from the U.K., the other principal markets are the Netherlands, Ireland, Egypt, U.S.A., Canada and countries in Latin America and West Asia.

16. Though India is the largest single producer of tea in the world, she has to meet keen competition from other tea producers like Ceylon and Indonesia. The competition is particularly keen in what the trade in India calls "common teas". The competition in this category of tea is likely to increase when the tea bushes planted in East Africa begin producing their full yield of nearly 100 million lbs. of tea a year between seven and ten years from now. Even at present, the landed cost of East African tea is reported to be about two shillings a lb. which is somewhat below the cost of production in many estates in North India. Therefore, in considering what possibilities there are of promoting exports of tea from India we have to take into account production of tea by other producing countries such as Ceylon and Indonesia and East Africa.

17. Though we have generally been able to sell our tea as witnessed by the fact that we do not always carry large stocks of unsaleable tea, a reduction of even 12 to 18 nP a lb. in the cost of production would make a substantial difference to the grower. Even though we can really never hope to compete with East Africa in cost of production, a measure of relief from the present high level of costs would be of assistance to tea exports. Apart from the plantation labour Acts, various taxes and levies inflate the prices of Indian tea. The taxes and levies which get reflected in our export prices are (a) the tea cess at 4 nP per lb. (b) the Assam carriage tax and West Bengal octroi each at one anna per lb. and (c) the export duty which now stands at 6 annas a lb.

18. The tea cess is of benefit to the tea industry itself. The two State taxes are important revenue resources for Assam and West Bengal. The export duty of 6 annas a lb. is not much of a burden on high quality tea. Therefore the only means by which some assistance can be given to "common" teas which have to face keen competition abroad is by a reduction in export duty. Unfortunately, there is no accepted definition of "common" tea; but common tea being inferior tea it should perhaps be possible to define it in terms of price. We have been told that, at the present level of prices, teas selling below Rs. 1.50 a lb. can be regarded as common teas. We therefore recommend that all teas sold in the Calcutta auctions beow Rs. 1.50 a lb. should benefit from a reduction in export duty to the extent of 12 nP a lb. Government will only have to ensure that, after the auction superior tea is not substituted and shipped. To this end, arrangements may be made for movement in bond of auctioned consignments up to the shipping stage.

19. In regard to export duty, we have also considered the suggestion that the duty payable should be calculated on the basis of the weighted average price of all teas sold in the London auctions over the immediately preceding *six months* instead of the previous *one month* as obtains now. Tea prices being subject to fluctuations, we think that the adoption of a six monthly average price will mean that in cases of sudden depression in prices, the tea growers/shippers will have to wait for six months in order to get relief in the form of lower duty. Similarly, when prices spurt up suddenly, Government will have to wait for as long as six months to get the benefit of higher duties. We, therefore, think that the present system is preferable to the alternative suggested.

20. As for the future prospects of tea exports, it is clear that, in view of increasing internal consumption, more tea than the Second Plan target of 710 million lb a year should be produced in the country. An increase in production should of course not be effected by having resort to coarsed plucking as prices will decline steeply.

It is, therefore, necessary that we should increase the acreage under tea. We, therefore, hope that Government will give the tea growers all the assistance and incentives that they need in carrying out a well-planned programme of planting new tea bushes.

21. We would like briefly to refer to the system of sales peculiar to tea namely consigning it to London for auctions. Latterly, efforts have been made to increase the quantum of auctions in Calcutta by placing a ceiling every year on shipments to the U.K. for auctioning. Nobody can quarrel with the contention that it will ultimately be in the national interest to have all tea auctioned in India itself. But since our pressing need today is to increase foreign exchange earnings, the normal trade practice should not be interfered with. We, therefore, recommend that for some time to come no annual ceilings need be prescribed on shipments of unsold tea consigned to the U.K. for auction purposes.

22. Our exports of tea to Australia are not as satisfactory as they should be, primarily, it has been urged before us, due to lack of shipping facilities on a regular basis between Calcutta and ports in Australia. Similarly, delays in the movement by rail of tea consigned from Calcutta to Bombay for onward shipment to the Persian Gulf ports often make exporters miss steamer connections. As regards shipping, there is very little that can be done to improve matters in the immediate future. Government may, however, examine whether they can use their goods offices with the shipping lines concerned to provide more satisfactory service. Complaints regarding delays in railway transport should be obviated by giving priority for movement to export goods as we have suggested elsewhere in this report.

23. Another facility which could be extended to the tea trade is the provision of adequate warehousing space in Calcutta. It appears that as against 10 lakhs sq. feet of warehousing space required by tea exporters, the present proposal is to construct warehouses having an area of only about 4 lakhs sq. feet and that, further, the progress of construction is rather slow. We would, therefore, recommend to Government to have the warehouses under construction completed as early as possible and also to provide the additional warehousing space required by the trade.

24. Apart from trying to sell more tea in our existing markets, new markets should also be tapped. For example, Eastern Europe with a population of 115 million consumes hardly 17 million lbs of tea a year. Perhaps, it may be possible to increase our exports of tea to these countries as well as to the U.S.S.R. which has recently shown some considerable interest in our tea.

3. *Cotton Textiles*

25. As an organised industry of major importance, Indian cotton textiles have an important role to play in any programme of expansion of Indian exports. The Second Five Year Plan provides for an export target of 1,000 million yards of cotton textiles a year. Though in 1950 exports even exceeded this figure, there has been a sharp set back especially in recent years due to increasing competition, rising domestic consumption and a decline in the world market for cotton textiles. It is, therefore, clear that much greater efforts will be required in order to attain the export target of 1,000 million yards a year.

26. As in other export commodities price and quality are important determinants of the volume of our cotton textile exports. The cotton textile industry in the country has urged on the Committee that it is suffering from a kind of compulsory cost inflation on account of the low efficiency of the equipment which it possesses. A considerable part of the equipment is old and out-moded and, consequently, in the highly competitive export market, our cotton textiles have had a tendency to lose ground. There is, therefore, no doubt that unless our industry also benefits from the use of the latest machines and techniques, our cotton cloth will have to struggle hard to maintain the markets it now has, let alone increasing exports. Government have appreciated the direct bearing of costs of production in this line on exports and have accordingly allowed the installation of 18,000 automatic looms for the production for export of an additional 350 million yards of cotton cloth every year. It is understood that stringent conditions have been attached to the licences issued to mills for the installation of these looms as a result of which, not many mills have yet accepted the allotment of looms and the progress of implementation of the projects has been rather slow. Government might review the position and, as far as possible, relax these conditions with a view to making the scheme more attractive to mills without, at the same time, jeopardising the objective of export promotion. The Committee would go a step further and say that a sufficient number of automatic looms to permit the production for export purposes only of 1,000 million yards of cotton cloth a year should be installed by the industry by way of replacement of the existing plain looms.

27. It would also help considerably, if, as an incentive for more exports, mills are allowed to import modern machinery and equipment up to a certain percentage of the value of the goods that may be exported by them in excess of their normal exports, say about 50% to 75%.

28. We realise that the wholesale modernisation and rationalisation of all cotton textile looms in India raise many issues of national policy. At the same time, faced as we are with an acute foreign exchange situation, the export sector of the industry has to be given all the assistance it needs. It has further to be realised that about 90 per cent of our exports of cotton cloth are of the coarse and medium varieties. The fine and super-fine categories, on account of their price, earn more foreign exchange for every yard exported but it is precisely in this field that competition is most severe. Apart from our costs of production, another reason why it is hard for us to compete in fine and super-fine varieties is that we have to import most of our requirements of long staple cotton. Nevertheless, if Japan which grows no cotton at all is able to import cotton and also sell at competitive prices, there does not seem to be any reason why we should not also be able to do so. Even in the field of coarse and medium varieties more foreign exchange could be earned if we increasingly process, *i.e.*, dye, print etc., the cloth within the country.

29. We were much impressed by the work already done for the promition of exports of Indian textiles by the Cotton Textile Export Promotion Council. If the finances of the Council could be improved from within the resources of the manufacturing industry, suitably aided by Government, the Council, we believe, can enlarge the scope of their promotional activities and help the cause of cotton cloth exports from India.

30. We now come to four other points which might be examined by Government. Our aim being to export as much cloth as possible, no restrictions such as those once imposed on exports of mineral khaki cloth should naturally be placed on any variety or varieties. Secondly, considerable business within the country is carried on by stockists: we recommend that they also be enabled to export cloth. One advantage of allowing stockists to export would be that they might make a beginning with the export of fine and super-fine varieties. In order to enable them to export however, Government would have to allow them a refund of the excise duty already paid on the cloth held in stock. So long as adequate proof is supplied by the stockists that they have exported certain quantities of cloth, it should not be difficult for the Revenue Department to grant them refund of the excise duty paid. Thirdly, there are certain well established processing factories which would be able to export processed cloth in much larger quantities than at present if they are allowed the facility of being treated on the same basis as textile mills in the matter of clearances of cloth. This means that such processing factories should be accorded the facility of clearing cloth from textile mills without payment of excise duty which will be paid by the

former in case the cloth is sold in India and not exported. This would help in meeting the foreign demand in small orders for processed and printed varieties which the mill industry does not accept at present. We recommend that, subject to such safeguards as may be considered necessary, the facility asked for by processing factories should be allowed. Fourthly, Government have issued production control orders prohibiting the manufacture of certain varieties of cloth even for export as a measure of protection to the handloom industry. We understand that while Indian mills are stopped from producing and exporting such varieties of cloth, other exporting countries like Japan are taking advantage of this restrictive policy by capturing foreign markets. Handloom cloth is not being allowed to be imported in certain countries as in the case of lungis in Burma and Indonesia. In such cases, a ban or restriction on mills does not help the handloom industry in any way; on the other hand, potential markets for Indian textiles are lost. We recommend that mills may be permitted to produce these varieties for purposes of export.

Ready-made garments.

31. The increasing tendency the world over is to make and sell ready-made garments. India too has made a small beginning with the manufacture of ready-made garments. The Committee are informed that the installed capacity of this industry is Rs. 7 crores worth of cotton garments a year while actual production has been only to the extent of Rs. 4 crores a year. There is considerable scope for the export of ready-made garments. Apart from cut and style the buyer attaches considerable importance to the attractiveness of accessories like labels, buttons and so forth. We, therefore, recommend that the ready-made garments manufacturers in the country be allowed to import their requirements of these accesories for use in the garments they export. We further recommend that they be allowed refund of excise duty on the cloth-content of the garments they export on an *ad hoc* flat rate basis. If these two measures are taken, the Committee believe that our exports of ready-made garments can be stepped up to a considerable extent.

Handloom Cloth.

32. The Indian handloom industry enjoyed a world-wide reputation long before the modern mill industry came into existence. Besides giving employment to nearly 15 lakhs of people within the country, export earnings from handloom fabrics now amount to nearly Rs. 10 crores a year. There are indications that these exports can be considerably increased especially to quality markets like U.S.A. and Europe.

33. Out of an annual production of 1500 million yards, exports now are only of the order of 60 million yards a year. The traditional destinations for these fabrics have been Burma, Ceylon, Indonesia, Malaya, Aden and Africa. In some of these countries, particularly the first three named, our exports are gradually losing ground mostly because they have themselves started encouraging handloom production. The measures that should be adopted to maintain these traditional markets are: adequate propaganda for Indian products and continued market research in the export markets.

34. The keen interest that has recently been evinced in handloom fabrics in America and the continent of Europe is an indication that a fairly substantial demand exists for quality products. We have so far not been able to take advantage of the demand by actually exporting because of certain weaknesses in the structure of our handloom trade. Because production is carried on by a large number of small producers scattered over the country standardised quality production is difficult; so is conducting export transactions on scientific and modern lines. However, we can, if we make the right effort, be in a position to meet the increasing demand for quality handloom. Firstly, a central organisation for exports could be set up composed of co-operative institutions, master-weavers, traders, dealers and exporters of handloom cloth. The central organisation could run sample show-rooms in the major export markets and book orders there on the basis of samples kept in the show-rooms. The show-room staff, in addition to undertaking publicity for our handloom designs, could obtain suggestions in regard to design, colours, yarn etc. from large buyers and consumers and pass them on to the central organisation in India for enabling it to have the desired qualities woven in various parts of the country. Counterpart show-rooms containing all the samples should be maintained in the two major export cities of handlooms, namely, Bombay and Madras. The central organisation should arrange for supervision right from the production stage until shipment. If the exports of quality handloom cloth are organised in this manner it should not be impossible to achieve exports worth Rs. 30 to 35 crores a year.

35. For some time to come Indian handloom goods may find export markets purely on their novelty value but to create and maintain export markets it is essential that we should improve our quality and standards. There is scope for research into possible ways of improving the quality of handloom fabrics. This research should be in the field of improved designs, production of specialised yarns and mixed yarns for the use of the handloom industry and the setting up of an experimental station for finishing handloom cloth.

36. A strong representation was made to the Committee by the

private exporters of handloom cloth that it is they who handle 95 per cent. of our total exports of handlooms while the co-operative sector exports only the remaining 5 per cent. in spite of which the co-operative sector alone is granted a rebate on the cloth it exports. They say that this discrimination in the matter of rebate on exports might help the co-operative sector to a very limited extent but is certainly not helping the promotion of exports of handloom fabrics. While the rebate may be an incentive to traders to form co-operative societies, apparently, it has not succeeded in bringing into its fold all the private exporters of cloth. We would, therefore, recommend that individual exporters be also granted a rebate on exports, if necessary, at a slightly lower rate than that granted to the co-operative sector.

Cotton Yarn.

37. Though, as a general proposition, it would be preferable for India to export processed and/or manufactured goods instead of primary commodities and raw materials, too doctrinaire an insistence on this policy will not be consistent with promoting exports in the very short run. What we need is a sizeable increase in our export earnings and, therefore, whatever will fetch a good price in the international market in the coming years should be exported regardless of whether it is raw materials or manufactures we are exporting. When our development programmes get under way, this policy can naturally be revised in the light of the foreign exchange situation confronting us from time to time.

38. One of the commodities which we are producing in excess of our needs is cotton yarn. Our traditional markets for this commodity have been Hong Kong, Burma, Thailand, Indo-China, Ceylon, Aden, Ethiopia and certain European countries including the United Kingdom. Subject to our being able to export good quality yarn at competitive prices, it is not considered difficult to export about one lakh bales of cotton yarn a year. In fact in 1950-51, when cotton yarn exports were free, no less than 2 lakh bales were exported, but restrictions were placed on the export of yarn in order to feed our handloom industry. Partly as a result of this measure a number of competitors, especially Pakistan, have appeared in the field. With the setting up of spinning mills in a number of under-developed countries, the scope for exporting our cotton yarn has been decreasing. That is why we are recommending an export target of only one lakh bales a year.

39. The exporters of cotton yarn have strongly represented to us that the present system of allotting export quotas of cotton yarn

to mills is not helping exports. They say, that this export licencing policy, which has presumably been introduced as an incentive to spinning mills to increase production, is not sufficiently attractive to encourage the mills to produce for export. The actual increase in production of cotton yarn is mainly due to mills spinning more of coarse and medium counts or due to renovation of or increase in spindleage. In sum, the export quota is not very attractive for mills to embark on any large increase in production.

40. Further, export quotas are being given to mills whatever the quality of the yarn they produce. It has been urged that there are comparatively few mills which produce quality yarn which can be sold in export markets with the result that the export target is seldom reached. Besides, it appears that mills have a tendency to look upon their export quotas as some kind of a prize and, consequently, exporters have to pay a higher price than those ruling in the internal market when they buy yarn from mills for export. This makes our yarn less competitive in foreign markets.

41. The point has been made that it would be much better if export quotas are distributed among exporters instead of mills. Such a step would enable exporters to buy cotton yarn of the quality required for export and at competitive prices. Besides, the exporters can advise mills what qualities can be sold abroad and thus, instead of an increase in production of all counts and qualities of cotton yarn, the increase in production will be restricted to the lines in demand overseas and thereby help exports. There is a good deal of force in these arguments and we would, therefore, recommend to Government to examine the suggestion favourably.

42. We would also make the further recommendation that mills should be allowed to install additional spindles if they undertake to export the entire additional output of yarn.

43. There is, at present, a quantitative ceiling on the export of several items like folded yarn, sewing thread, twine, embroidery yarn, etc. In some cases, there is restriction in production as in the case of manufacture of sewing thread. Wherever internal demand is fully met or where there is scope for further expansion of productive capacity, the question of further liberalising exports should be considered.

44. Thus, by an adjustment of the present export licencing policy and by authorising the installation of new spindles for the export of yarn, the Committee think that it should be possible to export one lakh bales of cotton yarn every year.

4. *Cotton: Raw and Waste.*

45. From time immemorial, India is the producer of raw cotton. She was also the first exporter.

46. The highest export from this country has been over 3 million bales of cotton before the Second War. After partition, a large cotton growing area went to Pakistan and from a production of nearly 50,00,000 bales, partitioned India's share came to 22,00,000 bales. We have now stepped up our production to 48,00,000 bales and the Second Plan target is 65,00,000 bales of cotton. Our country produces varieties of cotton ranging from 5/16" to 1-4/16" staple length. Before the Second War, our main foreign customers were Japan, China, the Continent of Europe and Great Britain. The U.S.......used to buy sometimes a very rough variety called 'Sind Deshi'. The Partition left us in the position of being a net importer of cotton and not an exporter. We have, however, recovered the loss sustained by part and are now producing on our soil nearly 85 per cent. of our cotton requirements.

47. At present, our consumption of Indian cotton is 42 lakh bales as against the total consumption of about 49 to 50,00,000 bales. We have to import about 7,00,000 bales of long staple cotton every year; even before war, we imported about as much because of the shortage of long staple cotton in the country.

48. Is it wise to export any cotton in these circumstances? At first sight, one would hesitate to give an affirmative answer but export we must in order to earn foreign exchange which we will always require for a number of years. Again, we have established foreign markets for our cotton at great pains, expense and also profit. We cannot afford to lose these markets. Once lost, it is very difficult to recover. For example, we have lost the U.S....... market for our short staple cotton and there is hardly any chance to get it back; this was lost because the consumers were not sure of regular or constant supplies; also the policy of frequently changing of export duty annoyed the customers who usually programme their production for 6 to 12 months ahead. We must maintain our trade relations and hold the foreign markets even at sacrifices for larger and ultimate gains.

49. In order to be able to export, we must produce more, particularly those lines which are in continuous demand abroad. If need be, we may import substitute cottons which may be surplus elsewhere and usable in the country. As it is we do import the stapled varieties and our foreign customers require the short stapled varieties which India produces. No country produces all the varieties that their mills require. A country should produce that which is

easy to produce and import (in its place) what is difficult to produce. Even U.S.A. the largest surplus cotton producing country does not produce all the styles of cotton they need. Indeed, they have been importing Indian cotton of the Bengal Deshi varieties. The Bengal Deshi variety in Punjab and Rajasthan are low cost cottons because the plant is hardy and easily grown—less prone to pests and can be grown without irrigation, being a monsoon crop. It matures within four months and goes first in the market so early as September. For this reason, the cost of production is low. Again, the yield per acre is larger, which goes to reduce the cost further.

50. An obvious question may occur that: is it not better to grow long stapled cottons in the country rather than import them against the export of Bengal Deshi? Why not replace Bengal with stapled varieties? The latter however requires richer soil and irrigation which is not available in all the cotton areas where Bengal Deshi is grown. There will always remain large tracts of land where irrigation will not reach. The stapled varieties take longer time to develop new strains; therefore, even for a short term policy of say 10 years, every encouragement should be given to the production of Bengal Deshi not only to maintain the present production but also to increase it. The intrinsic value of Bengal Deshi may be considered about Rs. 500 per candy but it fetches Rs. 1000 including Rs. 200 export duty, in foreign countries. This is the price at which one can buy cottons that would spin 20 counts of yarn; while the Bengal Deshi can spin only 4 to 6 counts. The reason of such high price is that the importing countries make different uses of this cotton than spinning. They use it for mattresses, absorbent cotton, padding and mixing with wool. The rough short stapled cotton has a resiliency to pressure which no other cotton claiming any staple possesses. In fact, the longer the staple, the lesser the qualification for the above purposes. There is a very rough variety called Sind Deshi cotton in Pakistan quite useless for spinning; but it is quoted higher than any stapled cotton grown in Pakistan only because of its special merit and uses for mattresses, absorbent cotton, padding and mixing with wool. The whole of that crop is exported from Pakistan. This variety of cotton can be grown in parts of Rajasthan besides Bengal Deshi. India and Pakistan have practically a monopoly of rough short staple cotton and the world demand is very much larger than production. To hold the monopoly of this sure and ready foreign exchange earner, it is recommended that every effort must be made to increase the production and handicaps must be removed on its export. Even today, the country can easily spare 1,00,000 bales of this cotton which may earn foreign exchange of about Rs. 10 crores. At present, the crop of Bengal Deshi is about

2,75,000 bales. Indian Textile Mills consume about 50 per cent; therefore, the Textile Mills shall have no reason to complain if about half that crop is exported. In case of need, they may not be induced to use substitutes so that this cotton may be exported in large quantity in order to fill up the huge foreign exchange deficit. We therefore further recommend that at least 1,00,000 bales of Bengal Deshi should be permitted for export every year

Cotton Waste

51. The annual production of cotton waste in India is about 7 lakh bales. Out of this, about 1·75 lakh bales are consumed within the country for various uses such as re-spinning, making of mattresses padding etc. The balance could be exported though our exports have never been over 4 lakh bales in any year. The prices range from Rs. 100 to Rs. 600 per candy of 784 lb. depending on the quality of the waste. The large portion of the cotton waste available in India being the low-priced variety the average price of our waste is about Rs. 200 per candy.

52. Our principal markets for cotton waste are Japan, U.K., Australia, Germany and the U.S.A. These countries not only import our cotton waste but export certain other types of cotton waste produced by themselves. For example, the U.S.A. is a big exporter of cotton-waste but imports low grade wastes like "dropping" and "fly" from India. Japan imports large quantities of cotton waste from India and also exports coloured and hard waste to Australia.

53. Our total exports of cotton waste were 3·38 lakh bales in 1954, 1·2 lakh bales in 1955 and only 1 lakh bales in 1956. The primary reason for this decline in our exports is prices. Secondly we have had to meet increasing competition in foreign markets from countries like Pakistan and China. Further, the Committee were informed that the U.S.A. has been subsidising cotton-waste exports to the extent of Rs. 180 to Rs. 200 per candy. As against cheap prices and subsidies abroad, our cotton waste bears an export duty of 30 per cent. on soft waste and 50 per cent. on hard waste. This has resulted in our cotton waste being priced out of foreign markets and, consequently, our exports have been declining. The Committee were informed that certain cotton waste exporters had received letters from their clients in Australia and the U.K. saying that on account of cheaper availabilities elsewhere and the subsidies on American cotton waste there was not much interest in Indian cotton waste.

54. Since we have very large surpluses of cotton waste which cannot all be consumed within the country, we strongly recommend that the export duty on cotton waste may be removed with a view to enabling more of it to be exported. If this step were taken, it should not be difficult for India to export, on an average, 3 to 4 lakh bales of cotton waste every year bringing in foreign exchange to the extent of Rs. 6 to Rs. 8 crores.

5. *Engineering Goods*

55. Though, at present, export earnings from engineering goods amount only to about Rs. 4 crores a year, it is obvious that in coming years, we shall be in an increasingly better position to achieve a substantial expansion in this field. The indications are that India will be well placed to manufacture iron and steel, the basic raw material required for the manufacture of engineering products, at comparatively advantageous prices. Already, a start has been made with the export of miscellaneous hardware like bolts and nuts, trunks, buckets, etc.; light engineering goods like electric fans, sewing machines; durable goods like diesel engines and lathes. In later years, it should be possible for us to export considerable quantities of small tools, agricultural implements, bicycles and bicycle parts, electrical engineering goods, storage batteries and the like. When economic development in our natural markets, that is to say, countries in South East Asia, West Asia and East and West Africa gathers momentum, there will be increased prosperity in these countries raising their demand for consumer goods of all kinds. Therefore, our industry can, if planned even now on proper lines, be in a position to meet a part of these requirements.

56. Exports will not result, however, if our prices are not competitive and our quality not good. As it is, when any engineering industry develops in the country, it usually needs tariff protection in the beginning. It may, therefore, be very well asked how it is that we shall be in a position to export the products of these protected industries. For one thing, the indigenous industry has to fight consumer resistance: the consumers within the country, being accustomed to foreign products sold under well-known brands, do not easily switch over to the Indian products. Secondly, when an industry starts, it does not hope to capture the entire market within the country from the very beginning with the result that the output planned is low and costs of production cannot be reduced. In certain cases, when the internal market is large and the manufacture is protected from outside competition by tariffs and quantitative restriction on imports, the manufacturer does not bother too much about maintaining standards of quality because he knows that anyhow the Indian market will have to depend on his goods only.

If we are to equip ourselves to be able to export the products of our new industries, a different approach on the part of entrepreneurs and manufacturers is necessary. The installed capacity planned for in any new line of manufacture must provide, from the very start, for a certain proportion to be exported. In that way, after the product becomes established in the country, economies can result by increased production for exports. Secondly, the closest attention has to be paid by the manufacturer to the maintenance of international norms of standards and quality. The fact that indifferent quality products can be sold in the internal market does not mean that they can be sold as easily in the outside market. The manufacturer has also to realise that consumer resistances to new brands and new manufacturers are as great (if not greater) in foreign markets as in the internal market. He has, therefore, to go all out to bring into play all his sales promotion and business acumen in order to be able to gain an entry into foreign markets. Further, the engineering goods of the kind that we can export are completely different from our traditional exports in one respect. A certain quantity of jute or tea or cotton textiles or vegetable oils once sold, the transaction comes to an end. In the case of diesel engines, machine tools and light machinery of all kinds, the transaction does not end with the act of sale. The manufacturer/exporter has to provide for satisfactory service by ready supply of spare parts at reasonable prices, and even free of cost if necessary, in order to maintain his connection with the buyers. He has further to appoint agents abroad who will sell these goods on his behalf and also provide after-sales service. Maintaining an export market of any size in this group of commodities is thus a very difficult task. The Committee hope that our manufacturers and exporters will be enterprising enough and forward-looking enough to see that when they do enter foreign markets on a fairly big scale they will back up their products by sticking to international standards of quality and by making satisfactory arrangements for after-sales service.

57. Since our newly established and expanding industries are not individually well-placed for undertaking sales promotion drives and market research and for appointing agents abroad, we would make the suggestion that for the purpose of overseas sales, our industrialists should organise themselves into an association and jointly undertake the measures for sales promotion abroad. The expenditure could then be pooled and profits shared on the basis of contributions to expenses. Later, when individual industries or manufacturers have gained sufficient financial strength and experience, individual or industrywise effort in these directions would become possible.

58. There is another point to which we would like to refer in this connection. This is the practice of several Indian manufacturers of engineering and other goods to enter into technical agreements with foreign manufacturers in terms of which, in consideration for payment of royalties over a period of years, the former obtain all the technical know-how involved in the manufacture of the products in question as also the right to use the brand names of the latter. Very often, these agreements provide that the articles manufactured in terms of the agreement shall not be exported from India. While we appreciate that, in view of India being way behind the industrially advanced countries in technical know-how, such technical agreements for the purchase of know-how will facilitate our acquiring the special skills necessary for manufacture in a short period of time, perhaps it could be ensured that either the products so manufactured are allowed for export from India, or at least, the ban on exports is limited for a short period of time, say five years. It is true that when the consumer within the country is used to an imported product sold under a well known and well-established brand name, it will be easier for the Indian manufacturer to sell his product if he continues to market it under the same brand name. But once the Indian consumer is satisfied as to the quality etc. of the product manufactured in India, it should no longer be necessary for the Indian manufacturer to depend too much on the sales potential of the brand names as such. We, therefore, recommend to Government that while sanctioning technical agreements between Indian and foreign manufacturers, care should be taken to see that engineering and other products, if manufactured in India, under foreign brand names should be allowed for export from India at least subsequent to the initial period of validity of the agreements which should not, in ordinary circumstances, exceed five years.

59. It will still take us two or three years to become self-sufficient in steel. In the meanwhile, we think that governmental assistance can benefit the engineering export trade in the lines in which we have already made a beginning. As it is, Government are granting our manufacturers an extra $33\frac{1}{3}\%$ quota of steel against exports of engineering goods: that is to say, for every ton of manufactures exported, the manufacturer is allotted a quota of $1\frac{1}{3}$ tons of steel. The price at which the extra steel is allotted to the manufacturer is, however, the equalisation price. The Indian manufacturer of engineering and allied goods has a large and lucrative home market while the international prices of his manufactures are lower than home prices because of competition from advanced countries. It was, therefore, represented to us that more effective incentives have to be given to Indian manufacturers in order to enable them

to export. One suggestion that we received is that Indian manufacturers should be supplied with iron and steel against exports of goods processed out of them at the retention prices received by indigenous producers of steel plus the transport equalisation element. The latter is to ensure that there is no discrimination as between manufacturers situated far away from the steel works and those near to them. The alternative suggestion was also made that instead of allotting 1 ½ tons of steel against every ton of export of engineering goods the manufacturer should receive two tons of steel against every ton of exports. In view of our own pressing requirements of steel, we consider that the supply of steel at retention prices plus the transport equalisation element is the better alternative and accordingly recommend this measure to Governments.

60. The allocation of steel to the exporting manufacturer can be worked in the following way: the manufacturer should establish to the satisfaction of the Iron and Steel Control authorities the quantity of pig iron, steel etc., used in the various engineering items exported over, say, a period of three months. The Iron and Steel Control authorities could then allot the relevant quantity of pig iron, steel etc. to the manufacturer concerned at the special prices indicated above for the succeeding three months.

61. Further, we recommend that the excise duty at present in force on billets should be refunded to the exporter in respect of manufactures having used duty-paid billets and subsequently exported.

62. So far for the cost of raw material. Government should also assist the engineering industry by giving it special rail transport concessions and also by using their good offices with the conference lines for more reasonable ocean freight rates. If these measures are taken even now, we believe that a better start could be given to the export sector of our engineering industry. With self-help, our manufacturers will, later on, be in a position to introduce their goods in foreign markets in increasingly larger quantities.

6. *Oil-seeds, vegetable oils, oil-cakes and Vanaspati*

63. India is one of the most important producers of vegetable oilseeds and oils. Her exports of this commodity have been considerable in the past. In order to encourage the oil-crushing industry which gives employment to many thousands of people, Government policy has always been to encourage the export of the oil rather than the seed. In recent years, as a result of fluctuations in production and increasing consumption within the country,

exports of vegetable oils have been rather erratic. Because of the importance of maintaining internal consumption levels, exports especially of groundnut oil have had to be controlled and the possibility of removing these restrictions seem rather remote for the present.

64. Though the general policy is not to allow the export of oilseeds as such, some consideration has to be given to the maintenance of trade connections in respect of some of these seeds so that markets already established may not be permanently lost. This is particularly important in view of increasing competition from other producers of oilseeds like Nigeria, Mexico etc. We would therefore recommend that small quantities (say 4 to 5 thousand tons) of kardi seeds and niger seeds should invariably be allowed for export. Similarly, in respect of groundnut seeds, the trade has represented to the Committee that our hand-picked selected varieties are extremely popular abroad for their good quality and flavour. We, therefore, recommend that a small quantity, say 30,000 tons, of hand-picked selected groundnuts should be allowed for export year by year.

65. The principal vegetable oils exported from India are groundnut oil, linseed oil and castor oil. The main destinations to which they are exported are the U.K., the Netherlands, Australia, Belgium Italy and Burma. Linseed oil is chiefly exported to the U.K., the Netherlands and Australia. Castor oil is bought in large quantities by the U.S.A., the U.K. and Australia and certain Eastern European countries. An important recent addition to our exports of vegetable oils has been cottonseed oil. If its export potential is properly tapped, no less than an additional 10,000 tons can be shipped out of the country every year. Besides, if efficient mechanical methods are increasingly employed to clean the cottonseed of linters, the oil would be of better quality and could be increasingly used by the vanaspati industry. The linters would constitute the requisite raw material for manufacturing photographic films. The total exports of non-essential vegetable oils during the five years ending March 1956 were as follows:

Year	Quantity Million gallons	Volume (Rs. crores)
1951-52	21·3	20·65
1952-53	34·2	23·97
1953-54	7·7	4·16
1954-55	39·5	19·99
1955-56	68·2	34·30

66. During 1956-57 our exports of groundnut oil have been negligible on account of the ban on exports. In any scheme for export promotion, considering that vegetable oils are capable of earning between Rs. 20 to 30 crores a year, it is essential that we make every effort to export even if the result is some sacrifice in consumption. Our groundnut oil is in very great demand overseas and fetches a good price. Therefore the highest possible priority should be given to schemes for increasing our output of groundnuts considerably so that we may be in a position to export groundnut oil regularly and in large quantities. In the meantime, we would recommend that a minimum of 50,000 tons should be exported every year. This quantity could be increased to 100,000 tons or more a year when our crop position improves.

67. 50,000 tons of oil is less than 6 per cent of our total annual production and therefore the release of this quantity should not normally cause internal prices to shoot up as they do. Government should, therefore examine ways and means by which the release of a small quantity for export does not greatly affect internal prices. Unpopular as it might be, internal demand could be curbed in difficult years by fiscal or other measures. A second step would be to insist that vanaspati, paints and varnishes and soap manufacturers who are important consumers of groundnut oil in the country should use cottonseed oil up to 25 per cent of their requirements. This step will, in addition, encourage crushing of cottonseed in India. If necessary, oil from minor oilseeds, some of which are non-edible, could be made available for these uses. A third measure would be to ensure that substitute vegetable oils are available in the country for meeting the requirements of consumers by importing the requisite quantities of cheaper oils like coconut oil and palm oil. A judicious use of all these measures when rendered necessary could, in our opinion, ensure fairly steady quantities of groundnut oil being made available for export year after year.

68. The other major vegetable oils such as castor and linseed oils, kardi seed and niger seed oil and cotton seed oil are at present licensed for export and we hope that this policy will be continued.

Oil Cakes.

69. Government have been adopting a somewhat restrictive policy on the export of oil cakes. This has been on account of the fact that oil cakes are required for internal use as manure and cattle feed. There does not seem to be any need to continue these restrictions as we are already producing fertilisers on a large scale and importing that part of the requirements which cannot be met from internal production. Further, molasses could, we are told, be

used increasingly as cattle feed. It should thus not be difficult to allow exports of oil cakes. We therefore recommend that Government's policy should be directed towards encouraging the exports of these cakes by appropriate fiscal (low export duties) and licensing measures.

Vanaspati

70. Vanaspati is a new export item. Exports of this commodity are showing a healthy rising trend. In 1955-56 exports were of the order of 12,900 tons valued at Rs. 1·75 crores, as compared to 9,800 tons valued at Rs. 1·4 crores in 1954-55. More than 50 per cent of these exports are at present to the U.K., Australia and Burma. There are good prospects of exporting this item to West Asian countries. Two measures which will strengthen exports of vanaspati are the grant of a refund of the excise duty on vegetable oils purchased by the vanaspati manufacturers in the internal market and the supply to them of metal containers at concessional prices. We, therefore, recommend these measures to Government.

7. *Hides and Skins*

71. India has the largest livestock population in the world and consequently she is in a position to export large quantities of raw and tanned hides and skins as well as finished leathers. Very often, however, the quality of our skins has not been up to export standards because of the general state of health of our livestock as well as of the diseases to which they are prone. The essential prerequisite for promoting exports of Indian hides and skins is, therefore, a well-planned animal husbandry programme which will concentrate on the breeding of better stock, prevention of cattle epidemics, regulation of slaughter-houses and so on. Further, there should be a gradual shift in our exports from raw to tanned skins and from tanned hides and skins to finished leathers. At the present time, however, it will not be possible for us to insist on exporting finished leathers only because many markets do not freely admit finished leathers.

72. The importance of this export trade to our economy can be gauged from the fact that every year these exports fetch us nearly Rs. 30 crores in foreign exchange. There have been fluctuations in the value of hides and skins exports but not to the same extent as in, say, vegetable oils. The bulk of our present exports is now sold to the U.K. We believe that the hides and skins trade can expand exports if it would concentrate on developing other markets in the European and the American continents.

73. As said earlier, it is preferable that tanned skins are exported rather than raw skins. At present the export of all raw sheep skins except the papra variety is banned. The leather trade has represented to us that there are facilities for tanning papra skins available in the country and therefore the export of raw papras should be prohibited. Since there is good demand for tanned papra skins abroad, the export of tanned skins will naturally fetch us more foreign exchange than the raw skins. As for goat skins, the problem is that tanning facilities are concentrated in the South whereas most of the raw skins availabilities are in North and North-East India. The bulk of the export of raw skins takes place through the port of Calcutta where there is not sufficient tanning capacity. Government could encourage the diversion of raw goat-skins supplies to the Madras area for tanning by giving special rail transport concessions for despatches from Calcutta to Madras as well as by imposing a higher cess on exported raw skins provided any fall in exports of raw skins is compensated by a rise in exports of tanned skins.

Reptile Skins.

74. The leather trade has urged on the Committee that considerable trouble and losses are caused on account of the present procedure for exporting reptile skins which earn nearly Rs. 1 crore of foreign exchange every year. Except for snake skins, a permit has first to be obtained from the Secretary-General of the Wild Life Board for the export of reptile skins like alligator and land lizard skins. It appears that the latter officer does not have adequate staff for issuing these permits and has consequently made part-time arrangements outside office hours. This has led to considerable delays in the issue of permits. Further, according to the present procedure, the Customs authorities have to take out samples from export consignments and forward them to the same officer for examination to ensure that prohibited varieties of reptile skins are not exported. This also, it appears, involves long delays. These delays it appears are much worse in respect of exports through ports other than Calcutta. We have been told by the export trade that the Customs Appraisers themselves can very easily distinguish permitted categories of skins from the prohibited ones. We therefore recommend to Government that since reptile skins are anyhow freely allowed for export, the system of permits may be abolished and that samples of prohibited varieties may be kept with the Customs authorities and the latter solely made responsible for ensuring that only permitted varieties are shipped out of the country.

Finished Leathers

75. India has been gradually trying to build up a substantial export trade in various kinds of finished leathers. Exports of finished leather can be further assisted by allowing tanners to import such leather accessories and finishes as are not readily available in the country. Similarly, certain dyes and chemicals which are required for manufacturing fast coat finished leathers could also be allowed to be imported. As for finished leather goods, the Committee were informed that a substantial market exists overseas. In order to compete effectively in the export market, the finish or our leather goods has to be improved. One important factor contributing to the finish and general appearance of leather goods is the quality of fittings. It appears that good quality fittings are not available in the country and therefore we recommend that exporters of finished leather goods may be allowed to import their requirements of fittings until the latter are manufactured in sufficiently good quality in India.

8. *Metallic Ores*

76. The two principal metallic ores that India is in a position to export freely are iron and manganese ores and the only limitation on our ability to export these items is that set by transport facilities within the country. The Committee are convinced that *pari passu* with the development of the rail and road transport systems in India, as envisaged in the Second Five Year Plan, exports of these ores can be stepped up. Further, so long as we are unable to process all the ores into metal—and this will be for quite some time to come—their exports should be actively encouraged as they are able to earn substantial amounts of foreign exchange for the country.

77. At present the State Trading Corporation is the sole exporter of iron ore and handles no less than 40 per cent of the total exports manganese ore. The conclusion of long-term contracts for the supply of these commodities in large quantities has resulted in an improvement in the prices of our ores and we therefore commend the policy of bulk sales of these commodities over definite periods of time.

78. In the case of manganese ore, we have to meet strong competition from Ghana, Belgian Congo, Brazil, U.S.S.R. and Chile. It is therefore necessary that we reduce the transport costs of our manganese ore by beneficiating it as much as possible within the country before exporting. We realise that ore beneficiation involves considerable outlays of finance. All the same, in the long run it will be to our advantage to export beneficiated ores as bulk

is reduced, metal content increased (thereby fetching better prices per ton) and both railway and ocean freight saved to a considerable extent. Also beneficiation of manganese ores will solve to a great extent the problem presented by low grade ores which are difficult to sell.

79. The Committee are aware that several schemes for the manufacture of ferro-manganese have been sanctioned and that by the end of the Second Five-Year Plan period we shall be exporting considerable quantities of ferro-manganese. Simultaneously with increased ore-beneficiation, we should also aim at increased production of ferro-manganese as this essential material is likely to have a steadily rising demand in the world markets in view of the increasing world production of steel.

80. In the short run, *i.e.* upto 1960-61, it should be our endeavour to export 2½ million tons of iron ore a year and 1½ to 2 million tons of manganese ore.

9. *Tobacco*

81. India is one of the world's chief producers of tobacco, second only to the U.S.A., and China. The average annual production of tobacco in India is nearly 550 million lbs. The flue-cured Virginia variety grown in Andhra Pradesh is the principal export variety.

82. On an average, we have been exporting 85 to 90 million lbs. of unmanufactured tobacco a year worth about Rs. 11 crores. The principal markets are U.K. and countries on the European continent and, lately, the U.S.S.R. and China.

83. The cost of production of tobacco, it has been represented to us, has been increasing while quality has tended to go down, thus accounting for stagnation in the level of exports and decline in export earnings. Attention has, therefore, to be centred on producing as much high grade tobacco as possible. Though this is not entirely within the farmer's powers, if the outlook for exports is good, he will pay better attention to methods of cultivation.

84. Secondly, additional markets for unmanufactured tobacco should be explored. The despatch of a Trade Delegation to the Far East three years ago was a success. Similarly, the appointment of tobacco officers in London, Antwerp and Hongkong has been of help in keeping in touch with the trends in demand for tobacco in the U.K., the European continent and the Far East.

85. Our tobacco is facing stiff competition from Rhodesian tobacco. Unless, therefore, our quality is maintained and our prices are low, it will be difficult for us to make any further headway

with exports. Among the suggestions we have received for the improvement of the tobacco trade are that export on a consignment basis should not be allowed and that Government should buy or rent godowns in important foreign centres consuming tobacco such as London, Brussels, Rotterdam, Hamburg etc. and keep available there a ready supply of seasoned Indian tobacco. The advantage of keeping tobacco in godowns in the cities is that, on account of the temperate climate obtaining there, tobacco does not deteriorate as it does in India. It has further been suggested that priority should be given for the movement of tobacco from Guntur to Kakinada and Madras during March to June every year, that pre-shipment inspection of export consignments should be made compulsory so that complaints regarding quality etc. are obviated and that air-conditioned godowns and fumigation facilities should be provided at the ports at reasonable rates. We would commend these suggestions to the attention of Government.

86. Another suggestion we have received is that India should make a beginning with the export of manufactured tobacco in the form of cigarettes and cigars. The present manufacturers of cigarettes in the country are all affiliates of foreign firms and, consequently, they are more interested in producing for domestic consumption than for export. No private businessman or group of businessmen have so far been able to set up cigarette factories of a size that can compete with the products of foreign manufacturers. The trade believe that if the State were to embark on this venture, cigarettes could be produced very cheaply and that substantial quantities could be exported. We have not been able to examine the economics of this proposition as the relevant data were not available to us. We would, therefore, request Government to examine this suggestion in detail.

10. *Shellac*

87. India used to hold a virtual monoply for lac and until 1950 accounted for about 85 per cent of the world production. Since then, however, production in Thailand has been rapidly increasing and today that country produces about 30 per cent of the world output. The average production in India for the last 5 years has been order of nearly 8·4 lakh cwts. though there have been sharp fluctuations in certain years.

88. Almost the entire output of lac is exported abroad. U.S.A., U.K., Germany, Italy, France and Hong Kong are the important customers. Exports have averaged 5·5 lakh cwts. over the last four years fetching on an average about Rs. 10 crores in foreign exchange.

89. The basic weakness of trade in this commodity is its liability price fluctuations. Secondly, there has been increasing competition from Thailand. Seeing that shellac is used in the manufacture of gramophone records, stiffenings for hats etc. it is obvious that extreme price fluctuations tend to make the manufacturers of the latter products turn to substitutes. In fact synthetic materials are now in very extensive use for the manufacture of gramophone records because of the changing prices of shellac. There is unfortunately a great deal of speculation in this trade and hence unless this is curbed to a certain extent, it will be difficult to sustain the export trade at stable levels of volume and price. Any governmental effort to help stabilise shellac prices will, therefore, promote exports.

90. Another difficulty standing in the way of shellac exports is the absence of internationally accepted standards and grades. This has often resulted in misunderstandings between buyers and sellers. It is, therefore, necessary to fix standards acceptable to the buyers in foreign markets. The Committee have been given to understand that the Indian Standards Institution have prepared standards for shellac and that they are negotiating for the recognition of these standards with the International Standards Organisation. We hope that the acceptance of these standards will go a long way to giving some stability to the exports of this commodity.

91. We have received the suggestion that more air-conditioned wagons should be available for the transport of shellac from producing centres in Bihar and Uttar Pradesh to Calcutta. It appears that there is considerable deterioration on account of lack of a sufficient number of air-conditioned wagons. We recommend that this suggestion be examined by the Railways.

92. By and large, the promotion of shellac exports largely lies in the hands of the export trade. If they organise themselves it is possible to curb excessive speculation and definite gains can accrue to the trade. Further, the shellac traders should make an organised attempt to conduct publicity on the advantages of natural shellac over its synthetic rivals and also undertake research as to new uses to which it can be put.

11. *Mica*

93. India has a virtual world monopoly in respect of quality mica and supplies about 80 per cent of the world's requirements. Over 90 per cent of the inferior quality mica used in the manufacture of micanite is also supplied by India. Brazil is the second important producer of the better qualities of mica. In spite of competition from this country, India has been able to hold her own in foreign

markets mainly because of the excellent quality of her mica and the manual skill with which Indian mica is usually trimmed and split.

9. The most important use to which mica is put in is the manufacture of electrical instruments, appliances and apparatus. The demand within India is negligible at present and almost all the mica produced is exported. Our principal export markets for mica are U.S.A., U.K., Japan, Germany, France and Italy.

95. Exports of mica have tended to fluctuate both in quantum as well as in value. In 1951-52, 4,08,000 cwts. were exported for Rs. 13·21 crores. Exports went down to 2,25,000 cwts. in 1953-54. In 1954-55, 3,37,000 cwts. were exported which fetched Rs. 6·72 crores. During 1955-56 the quantum of exports again registered an increase to 5,19,000 cwts. worth Rs. 8·37 crores.

96. Being a strategic material, the quantum of exports as well as the prices fetched depend upon the buying policy of the most important customer namely the U.S.A. Apart from competition from other producers of mica like Brazil and Madagascar, synthetic mica and substitutes have also begun to make some inroads into the market for natural mica. Another serious problem confronting the export trade in mica is the lack of clear standards of quality. At present quality is judged by visual tests and, consequently, there is occasion for considerable difference of opinion. With the hope of removing difficulties in fixing standards of quality of mica, a Technical Committee was formed in 1948 under the International Standards Organisation but it has not so far succeeded in evolving standards acceptable to all interests concerned. We have been given to understand that the Indian Standards Institution have prepared standards which, if ultimately approved by the International Standards Organisation, will be of considerable benefit to the export trade in mica.

97. It is not merely enought if standards are laid down. The present practice of inspection at the port of destination often results in losses to Indian exporters. Exports on a consignment basis should be avoided and pre-shipment inspection, which should be final, should be conducted by the buyer's representatives at Indian ports, even if the cost of inspection has to be borne by the Indian exporter. In this manner, some of the uncertainties involved in exporting mica could be removed.

98. A search should also be made by the export trade for new markets for mica. Obviously, wherever the electrical industry is well developed, there will be need for mica. The Committee, would, therefore, suggest that the possibility of exporting mica to U.S.S.R., Czechoslovakia. Poland etc. needs to be explored.

12. *Spices*

99. The principal spices exported from India are pepper, cardamoms, ginger and turmeric. Of these, pepper is by far the most important trade. India with a total annual production of nearly 6,40,000 cwts. is the world's largest producer of black pepper. Next in importance come Indonesia and Sarawak with an annual production of nearly 3,60,000 cwts. each. The principal world market for pepper is the U.S.A.

100. As a result of the Korean boom, pepper prices rose phenomenally increasing from about Rs. 180 per cwt. in 1948-49 to about Rs. 780 per cwt. in 1951-52. Thereafter, pepper prices have declined persistently and very steeply with the result that export earnings from pepper have fallen from Rs. 23·22 crores in 1951-52 to nearly Rs. 3 crores in 1956-57. It is admittedly true that during the Korean war boom, prices had risen to artificially high levels and that the subsequent slump is towards more reasonable levels. The average price of garbled pepper prevailing at present at Cochin at Rs. 103·50 per cwt. is, after all not very much below the prices obtaining in 1947-48.

101. Even so, because this is an important export commodity we feel that a policy of giving a fair price to the growers and of obtaining reasonable prices in the international market should be followed. For one thing, since the supplier countries of this commodity are few, an understanding could perhaps be established between them with a view to avoiding sharp fluctuations in export prices of pepper. Secondly, markets other than the traditional ones could be explored for this commodity. For example, Western Europe seems to offer definite possibilities for higher exports of pepper. We have been told that the Cashew and Pepper Export Promotion Council has already begun the exploration of additional markets for pepper.

102. Because of a continuous rise in the prices of black pepper prior to 1952 freight rates on this commodity were increased. With the fall in prices of pepper there has been no corresponding reduction in the freight rates. Further, the freight rates of pepper from the Malabar Coast to the U.K. and U.S.A. are higher than those from Malaya to these countries. Therefore, if the pepper trade gets a certain amount of relief from the increased freight Indian pepper could become more competitive in the world markets.

103. Another representation we have received from the trade is that in cases of disputes arbitration is held abroad—mostly in London and New York without any Indian national being represented on the Arbitration Board. It is difficult and expensive for the exporter or his nominee to be present at the time of arbitration in the foreign

country concerned. Hence it will be useful if, as suggested in Chapter XI, paragraph 16, our Trade Commissioners etc. could at least be present in these proceedings in the capacity of observers.

104. Among the other spices, exports of cardamom and ginger account for nearly Rs. 4 crores a year. Saudi Arabia and Sudan are the best customers for cardamom. The other markets are Aden, U.K., U.S.A. and the U.S.S.R. Indian cardamoms are valued for their richer oil content and aromatic properties. It is used for flavouring cakes and pastry and also for medicinal purposes. In Northern and Eastern Europe it is used for flavouring liquors and in the preparation of tinctures.

105. Our market in the United States for cardamom has been shrinking on account of American imports from Guatemala. It is, therefore, necessary to undertake adequate publicity for the greater oil content and aromatic qualities of our cardamom in this market. Research should also be undertaken to find out the possible uses of cardamom and cardamom oil. The export possibilities of the latter product have not been fully explored and there is considerable scope for conducting research on this commodity.

106. India is also the largest supplier of ginger to the world markets. The annual production in India is nearly 20,000 tons out of which only 3,000 tons are exported—mostly to countries in West Asia, Sudan and the United States of America. The trade are confident that if the right effort is made 5,000 tons of ginger can be exported out of the country every year. Since the quality of ginger stored in gunny bags deteriorates, the trade have asked that better storage and fumigation facilities should be provided at the ports.

107. A beginning should also be made in exporting ginger essence and ginger oil. At present most of the essence and oil produced in the country is internally consumed. The installation of extraction plants should be encouraged so that an export market can be built up in these lines also.

108. Turmeric is another spice which has good export possibilities. In 1956 exports of turmeric fetched Rs. 1·52 crores. The principal markets are Pakistan, Iran and the U.S.A. Better publicity abroad, improvement in quality and more organised salesmanship could be effective in stepping up exports of turmeric also.

13. *Raw Wool*

109. India has a large exportable surplus of raw wool. Of course, this wool is not of the type which is used in the manufacture of fine quality woollen cloth. It finds its use in foreign markets mostly in the manufacture of rough fabrics, coarse blankets, carpets, paddings and so on.

110. The following table gives details of India's exports of raw wool since 1952-53:

(Rs. in lakhs)

Country	1952-53	1953-54	1954-55	1955-56	1956-57 (9 months)
U.K.	386	412	456	490	263
U.S.A	275	110	340	303	217
Total (including others)	841	587	861	973	727

111. As will be seen from the above table, raw wool exports are an 8 to 10 crore trade and are, therefore, of some importance. Our principal customers for this commodity are the U.K. and the U.S.A. It is believed that raw wool is available within the country in large quantities and that a sizeable increase in the quantum of exports could be effected.

112. The wool trade has represented to us that there are two difficulties now confronting them, which if removed, would assist exports. Firstly, the issue of export quotas for wool are now for April to September and October to March every year. The trade suggests that since the wool season is between January and June and July and December, the period for the issue of export quotas should be changed correspondingly. This will enable exporters to effect purchases in the market after the announcement of the quotas and ship the goods within each licensing period. We recommend that this suggestion be accepted.

113. Secondly, it appears that the compulsory grading of export wool introduced by Government involves considerable delays and that very often exporters miss shipping opportunities. Letters of credit opened by foreign buyers are held up and often expire while waiting for the grading certificates. In view of these difficulties it has been suggested to us that grading certificates should be granted within a maximum time limit of 10 days from the date of application by the exporters. If the certificate is not issued within that period, the exporter should be at liberty to ship the goods without the grading certificate. It was also pointed out that in any case, the buyers do not attach any great importance to these grading certificates and, therefore, there would be no harm in allowing shipments in exceptional circumstances without the grading certificates which could be mailed to the buyers subsequently. We, therefore, recommend that Government modify the present procedure accordingly.

14 *Rayon Fabrics*

114. The rayon and staple fibre weaving and processing industry has made remarkable progress in India in recent years. Though a start has been made with the manufacture of the basic raw material, namely, cellulose acetate rayon in the country, the weaving and processing industry still largely depends on imports for its supplies of raw material. This fact at once brings into focus the principal problem facing the export sector of the weaving industry which is the price of raw material.

115. As in other fields, the price of indigenous rayon yarn is higher than that of the imported product less customs duty. Though the facility of drawback of customs duty on duty paid art silk yarn used in exported rayon fabrics used to be granted, the procedures then laid down made it very difficult for the exporters/manufacturers to avail themselves of the drawback. These procedures have since been simplified. Further, Government are also considering authorisation of drawback at flat rates on every pound of rayon fabrics exported depending on the denier counts of the yarn used for weaving the fabrics as against previous drawback at the uniform rate of 75 nP. per lb. These flat rates have been computed on the basis of the level of rayon yarn imports and of internal production. While this new arrangement will doubtless encourage exports of rayon fabrics from India, it has to be remembered that even in the matter of price, there is stiff competition to Indian fabrics from those woven in Italy and Japan. We would therefore recommend to Government that they should examine whether there is not a case for an increase in the rebates of customs duty from their present levels.

116. During the three years 1952-55, exports of rayon fabrics were of the order of 3·5 million yards a year worth Rs. 53 lakhs in sharp contrast to the export of 8·4 million yards for Rs. 117 lakhs in 1951-52. Exports during 1955-56 were 29 million yards worth Rs. 52 lakhs.

117. Our annual production of rayon fabrics is at present of the order of 250 million yards which is expected to increase to 360 million yards by 1960-61. Thus the industry is capable of exporting much more than it does now. Further, the Indian industry has an advantage against its overseas competitors in that it has many small scale units capable of meeting orders as low as 6 yards of a particular design. Colours and variety in design being important selling points in this field, the Indian manufacturer is well placed to supply for the same yardage a profusion of colours and designs. We feel that appropriate adjustments to the drawback rates coupled with this production advantage should result in a substantial increase in our exports of rayon fabrics from their present level to 15 or even 20 million yards a year.

118. The principal markets for our rayon manufactures are Ceylon, Singapore, East Africa, Malaya, Fiji, Mauritius and the Sudan. The Silk and Rayon Export Promotion Council are doing useful work in seeking other markets for our goods and are also undertaking better publicity abroad for them. It would be an advantage if in their overseas sales promotion work they could join hands with the Cotton Textile Export Promotion Council so that the expenses of having to maintain separate offices abroad could be avoided. We would recommend that the two Councils should confer together and examine how far this is feasible.

119. One other difficulty in the way of increased exports of rayon fabrics is that many of the manufacturing units being small, they do not have access to large credits for carrying on production and exports. It appears that there is a proposal to set up a Rayon Corporation in the private sector and that this Corporation would extend financial assistance to the small units. We recommend that this proposal be actively pursued as it will encourage production and export.

15. *Coir*

120. The coir industry is a big employer providing the means of livelihood to no less than one lakh families in the West coast of India. Coconut trees are cultivated on nearly 1·55 million acres. The annual output of coconuts is more than 330 crores and the coir fibre produced is nearly 1·3 lakh tons a year. Out of this 1·2 lakh tons of coir yarn are produced, 80 per cent wheel-spun and 20 per cent hand-spun. Out of this production about 45,000 tons of yarn are exported every year.

121. Exports of coir products earn about Rs. 9 crores of foreign exchange every year. Most of the export earnings are, however, from coir yarn and not coir manufactures. In 1955-56 for example, coir yarn fetched Rs. 5·7 crores from exports while mats and mattings and other manufactures fetched only Rs. 3·2 crores.

122. As for coir yarn, Holland, West Germany and the U.K. are the important buyers. In 1954-55, Holland imported 2·04 lakh cwts. valued at Rs. 1·1 crores and in 1955-56 2·5 lakh cwts. worth Rs. 1·33 crores. There has, however, been a decline in our exports to Germany and not much improvement in our trade with the U.K. Japan imports Indian coir yarn for the manufacture of fishing nets, the Pacific coast countries of America for agricultural purposes and the Atlantic coast countries for the manufacture of floor coverings.

123. U.K. is still the largest buyer of Indian coir, mats and mattings. In 1954-55 her imports were of the order of 1·23 lakh cwts. valued at Rs. 97 lakhs but in 1955-56 exports declined to 1·19 lakh cwts. worth Rs. 95 lakhs.

124. The newly set up Coir Board looks after the promotion of coir exports also. The Board has made a provision of Rs. 2 lakhs for conducting market surveys in the United States of America and Canada through advertising consultants. A sum of Rs. 10 lakhs has been allotted for external publicity for coir products. A proposal is also under consideration for the despatch of a Trade Delegation to foreign countries with a view to ascertaining the end uses of coir yarn exported from India and the marketing possibilities for coir manufactures of different kinds abroad.

125. In the external markets there is competition from Ceylon. Further, coir fibre has several rivals in the industrial fibre field such as sisal, and manila. Promotion of the export of Indian coir products will, therefore, have to take into account these factors.

126. The coir trade has raised the point that coir manufacturing countries such as Holland, Belgium, France and Germany take only coir yarn from India and not manufactures. These countries export coir manufactures to other countries in Europe with the result that Indian products cannot be sold in the latter countries. They have, therefore, made the suggestion that an export duty should be levied on exports of coir yarn. The Committee are, however, unable to agree with this suggestion if the result of the imposition of an export duty on coir yarn is only going to diminish the volume of our exports without any corresponding increase in the export of manufactures. Of course, it is true that the higher level of freights on coir manufactures does contribute to our coir products being less competitive. But since foreign coir manufactures have anyhow to import coir yarn from India, if we lower our manufacturing costs by using up-to-date machinery it should not be difficult for us to sell coir manufactures also at competitive prices.

16. *Cashew nuts*

127. The export of processed cashew kernels provides our country with a substantial amount of foreign exchange—mostly dollars. During the four years 1952 to 1956, our average annual exports of cashew kernels were worth Rs. 12 crores. It is, therefore, necessary that we take all measures to sustain and develop this important foreign exchange earning industry.

128. The indigenous supply of raw cashew nuts is insufficient for meeting the export demand. The average annual production is of the order of 60,000 tons and has to be supplemented by an equal quantity of raw nuts imported from abroad, mostly from East Africa. This dependence can be minimised only by increased production of cashew nuts within the country. Apart from trying out new areas in Bombay and Uttar Pradesh for cashew trees, there are now plans to help the individual grower in Kerala, Madras, Andhra and other

States by giving him a loan of Rs. 150 for every additional acre planted. The State Government will be affording the facility of improved seedlings to the cultivator and the Central Government proposes to meet 50 per cent of the recurring expenditure on the additional technical staff employed by State Governments in connection with the expansion of cashew cultivation.

129. The processing of raw-cashew nuts is carried out in a very large number of small establishments centred round Quilon in Kerala. Recently some of the factories closed down when, on the demand of labour, the State Government declared the industry to be a non-seasonal one. With the arrival of imported nuts and the beginning of the 1957 cashew season, most of the factories have re-opened.

130. There is considerable speculation in the cashew trade and the margin to the manufacturer is not very high for, as against an average price of Rs. 874 per ton for raw nuts the average f.o.b. price of the processed kernel is Rs. 4,743 which is not very high in view of the fact that a bag of raw nuts, weighing 169 lbs. yields only 42 lbs. of processed kernels, which means an average recovery of 25 per cent. It has, further, to be realised that we are now depending practically on a single market for most of our exports of cashew nuts, namely, the U.S.A. Of all the dry fruits, cashew nuts are very popular in the United States primarily on account of the farm prices support programme of the American Government as a result of which home produced rivals like walnuts are comparatively expensive. It is, therefore, essential that we diversify our market for cashew kernels. In order to strengthen and develop this industry on sound lines, the Government of India have set up an Export Promotion Council for Cashew and Pepper. We understand that this Council is actively considering measures which would result in giving a certain amount of stability to the industry. The country has also to find other export markets especially in continental Europe.

131. With increasing indigenous production of raw nuts it would not be unreasonable to hope that exports could be stepped up to an annual value of Rs. 15 crores.

17. *Fish*

132. Fish is a well nigh inexhaustible source of wealth in the country. Fisheries abound on the West coast of India and the quantities caught are sufficient to provide for a large surplus for export. Both catches and exports can be increased by the use of modern techniques.

133. Exports of fish (other than canned fish) amounted to Rs. 4·49 crores in 1953-54 and Rs. 3·76 crores in 1955-56. The largest exports

were to Ceylon and Burma. Our exports of fish consist chiefly of dry fish (salted and unsalted) fishmaws and sharkfins. Marine prawns have distinct export possibilities to markets other than Burma and Ceylon. The present production of prawns varies from 80,000 to one lakh tons per annum, the major centres of production being the Cochin and Bombay areas. A large proportion of the prawns produced in India used to be boiled and dried and exported to our eastern neighbours particularly Burma. The Burma trade in prawns has suffered a serious set-back on account of this commodity being removed from the open general licence list in Burma. While efforts at governmental level should be made in order to ensure that the trade in this commodity with Burma is revived to the extent possible, in order to sustain this industry, we have to think of alternative markets. In recent years, small quantities of prawns from the West coast have been deep-frozen and shipped to the United States of America, where our prawns have found great favour. The initial success of our deep-frozen prawns in the U.S.A. suffered a set-back when exports were made without technical competence of supervision and actually some consignments of Indian prawns were condemned by the Food Administration Authorities in the United States. It is therefore, necessary to concentrate on selecting the best prawns and freezing them scientifically in order that we may be able to export prawns in sizeable quantities to the American market. The enforcement of proper freezing and packing standards should be undertaken either by a governmental agency or by voluntary cooperation among prawns exporters in the country. In any case Government should give the exporters such technical advice and assistance as are necessary for the maintenance of the quality of the export product.

18. *Miscellaneous*

134. We now proceed to examine the export possibilities of a miscellany of commodities.

(*a*) *Sugar*

135. It is only very recently that we have become self-sufficient in sugar. International prices have been particularly favourable this year and consequently we are in a position to export our surplus of sugar. We understand that two lakh tons have been allowed for export. Seeing that the all-India final estimate of sugar production is 20·5 lakh tons this year, we would strongly recommend that four lakh tons be allowed for export. It is not likely that the export of this quantity will lead to any great scarcity in the country, especially as the higher excise duty levied in terms of the budget for 1957-58 is curbing domestic consumption to some extent. Since we cannot depend upon international prices keeping steady at the present high levels it is necessary that we export whatever we can this year itself.

(*b*) *Coffee*

136. The quality of Indian coffee is much appreciated abroad. The limit to our exports of this commodity is set by the size of the surplus that we have every year above our consumption requirements. We would, therefore, recommend that the cultivation of coffee should be extended, and, in any case, a minimum quantity of about 10,000 tons per annum should be set apart for exports. In good crop years and with increasing production larger quantities could be exported.

(c) *Coal*

137. Coal exports constitute only a small proportion of the total export trade of India. The biggest exports took place in 1952 when 25 lakh tons of coal were shipped out of the country. Today, however, internal demand for coal is increasing and with the setting up of the steel plants and various other industries in the country, domestic demand for coal will rise sharply. It is, therefore, doubtful whether we can export coal in any large quantities in the immediate future.

138. Indian coal used to be exported to Japan, Hong Kong, Egypt, East Africa, Burma, Ceylon and Singapore. Of these countries, Japan was the leading customer. She now finds it cheaper to import coal from the United States. Also, Chinese coal has come into the picture, and is offering serious competition to our coal. In Ceylon, the demand has tended to decline on account of progressive dieselisation of the transport system.

139. The Second Five Year Plan has targeted for a production of 60 million tons of coal by 1960-61 which includes 2·88 million tons for exports and bunkering purposes. It is not likely that the quantities required as bunker coal will be very high. Therefore, most of the 2·88 million tons could be exported when production within the country has been stepped up.

140. Government have been aware of the recent decline in our exports of coal. The Committee which was appointed in 1955 to examine this matter recommended relaxation of grade-wise restrictions on coal for export to markets other than the traditional ones; adoption by the Coal Grading Board of the grading specified in the Colliery Control Order; and the adoption of all possible measures to effect improvements in the facilities available at the Calcutta Port. These recommendations have been accepted by Government and with their progressive implementation exports will be facilitated.

141. We would, however, mention tha our coal is inferior in quality and, therefore, in order to sustain exports at higher levels it will be necessary to wash it. If along with the expansion programme for coal production, a sufficient number of coal washeries are installed, it will be easier for us to export our coal.

142. The freight rates for our coal are also unfavourable with the result that Indian coal is not competitive when carried over long distances. We have received the suggestion from the coal mining industry that Government should consider allowing rebates of railway freight to the extent of 37½ per cent on coal meant for export. Further, the trade has suggested to us that dumps should be provided for them at ports to store coal during the off-season. We recommend that these suggestions be examined by Government.

(*d*) *Confectionery*

143. The confectionery industry in the country had built up a sizeable market abroad. Certain manufacturers within the country had developed production and packing of a type of confectionery which would keep in hot and humid countries (like Malaya. Indonesia etc.) much better than confectionery manufactured in Europe. When sugar was brought on to the list of controlled commodities the export markets, mostly in South East Asia, were lost on account of high sugar prices in India. Besides this factor, materials like glucose, essences and wrapping paper of good quality are not available in India at reasonable prices making it impossible for Indian confectioners to compete.

144. If sugar could be made available at international prices to the confectionery industry and they are, further, given the facility of importing their requirements of other materials like glucose, wrapping paper etc. to be used exclusively for the manufacture of confectionery to be exported, we were informed that exports on a substantial scale could be undertaken. We, therefore, recommend that rebates be granted on exports of confectionery at flat rates based on the prices of sugar, glucose and wrapping paper. The alternative of allowing confectionery exporters to manufacture in bond is not workable as manufacture in bond would not, it appears, be profitable unless the production in any particular line is 10 cwts. or above.

(*e*) *Forest Products*

145. We are not self-sufficient in timber. All the same specific items which have an attractive demand abroad could be allowed for export. Examples are quality rose-wood from South India and walnut and maple burrs from the North which can be allowed to be exported in small quantities. Similarly, ornamental veneers and other processed wood could also be exported. Also, in the Persian

Gulf Sheikhdoms, there is a large demand for furniture, prefabricated doors and windows and articles of wood generally. Trade in these items should be encouraged by Government.

146. We have been informed that there are good prospects of increasing exports of processed resins and gums. Other items which can be exported are rauwolfia serpentina and/or its extracts, myrobalan extracts and cinchona products.

(*f*) *Rubber Goods*

147. We have a well established rubber industry in the country and various types of rubber goods such as rubber footwear, matting, railway fittings, medical goods, cycle grips, corks, washers, hard rubber, electrical goods, erasers etc. are being exported in some quantities to West Asian and South-Asian countries. The total value of rubber manufactures exported to these countries in 1955-56 was less than that in 1954-55. It is believed that exports are declining because of our goods not conforming to international standards of quality. Our recommendation regarding quality and pre-shipment inspection which have been made elsewhere in the report may be made applicable to this industry also so that it may be helped to maintain and expand its export performance.

(*g*) *Plastic manufactures*

148. Though we do not ourselves manufacture the basic raw materials required for the production of plastics as yet, our plastics manufacturing industry has been enterprising enough to build up a small but steady export trade. Exports of plastics averaged Rs. 14 lakhs in value during each of the three years between 1952 and 1955.

149. The price factor being the most important, the Committee are heartened to note that Government are in the process of finalising rules which will provide for the grant of drawback at flat rates of customs duty paid on imported moulding powders by exporters of finished plastic goods from India. The grant of reasonable flat rates of refund on polstyrene, urea formaldehyde, cellulose acetate and cellulose acetate butyrate will, we are convinced, offer a genuine and effective incentive to exports of plastic manufactures from India.

150. The grant of these concessions alone will not suffice. Our manufacturers will have to keep up the highest standards of production at every stage of manufacture and endeavour to give their products the finish and the attractive appearance which are the salient sales points for plastic goods. Further, manufacture is at present being carried on by a number of small producers. The plastics Export Promotion Council could render useful service in offering advice on production techniques and designs to individual

manufacturers or groups or associations of manufacturers. Similarly, export minded manufacturers could form cooperative societies and undertake export on behalf of the members.

151. The implementation of these recommendations should result in a substantial increase in our exports of plastic goods to all the markets bordering on the Indian Ocean.

(*h*) *Aluminium Wares*

152. Though India does not produce sufficient aluminium to meet her requirements, there is a well-established industry in the country turning out aluminium utensils and domestic ware generally. This industry has a good export performance to its credit and Indian style aluminium vessels have a good market in countries like Ceylon, in East Africa and elsewhere.

153. Since this industry mainly depends on imported aluminium sheets and circles on which customs duty has to be paid, it was an advantage for it to avail itself of the facility of drawback of customs duty on finished utensils exported. This facility, it appears, has been withdrawn since October 1955 and, instead, manufacture in bond allowed to promote exports. It has been represented to us that manufacture in bond is turning out to be rather expensive on account of the need for the industry to pay for the preventive staff and so on. Besides, on occasions, it appears, the manufacturer has had to export a whole nest of casseroles or saucepans, but the stocks in bond were short of one or two sizes and the nest could be completed only by supplying the missing sizes from non-bond stocks. While the existing bond rules do allow the packing of non-bond *fittings* with bond *goods* provided the weights of the fittings and the goods are separately shown on the shipping bills, such a facility is not available for packing non-bond *goods* with bond *goods*. If the rules are relaxed to cover the latter also, exporters will not only not be put to the trouble and expense of packing non-bond and bond aluminium vessels separately but also be in a position to save some ocean-freight. Occasions demanding the packing of non-bond aluminium vessels with bond ones are not likely to be numerous and we, therefore, recommend to Government that the rules be relaxed to cover cases of the type mentioned above.

154. It has also been urged that the present requirement, under the bond procedure, of having to present the landing certificate of an export consignment of bond goods from the customs authorities of the country of destination is really superfluous as proof of export is always available with the customs on account of their supervising all operations up to the stage of actual shipment. It appears that it is often difficult for the exporter to obtain the requisite landing

certificate from the country of destination. We, therefore, recommend that this formality be dispensed with.

155. Apart from these procedural difficulties, the high ocean-freight rates are proving an obstacle to trade in aluminium vessels. Being light, but bulky, export consignments of this item have to pay high freight calculated as it is on a cubic content basis and not weight basis. Perhaps, it might be possible at least for the Government-owned shipping corporations to quote special low freight rates for these exports, in case they are unable to charge freight purely on a weight basis. A measure of assistance with regard to freight rates will certainly be of help in pushing up exports of aluminium ware.

(i) *Handicrafts*

156. India has long been famous for her handicrafts. This occupation, exclusive of handloom weaving, provides employment to about 4 lakh persons in selected centres of production in India.

157. Practised mostly in the cottages of rural India, the handicraft industry has long been disorganised and scattered. The development of handicrafts is limited by the extent of the market. Domestic patronage to the artistic skill and creative talent of the Indian craftsman is not as widespread as it used to be in the past. The revival of interest abroad in Indian crafts, however, affords an opportunity for the industry to develop as also for the country to earn some foreign exchange.

158. Maintenance of quality, adherence to high standards of production, study of trends in consumer preference abroad in respect of designs, etc. and adaptation of production thereto, periodical displays, provision of raw materials on credit, training facilities, advice on marketing—all these will be of great help to handicrafts producers to expand sales. The All-India Handicrafts Board has already taken a number of measures on these lines. It now remains to make increased efforts to effect sales abroad.

159. Apart from handloom fabrics, apparel, hosiery, shawls, haberdashery and millinery, carpets and rugs and coir mattings, the principal handicraft goods available for export are leather goods, artistic metalware, toys, ornamental cabinetware, cane products, ivory and horn manufactures, jewellery and perfumery. The U.K. has been the principal customer for carpets and rugs but exports have been declining on account of increasing use of machine made rugs and competition, especially, from Iran. Asian countries and the U.S.A. are important buyers of Indian brass and bronze ware. Jewellery mostly goes to West Asia, while turquoise jewellery is very popular in the U.S.A. Perfumery exports mainly go to West and

South East Asia. Horn articles have a good market in the U.K., U.S.A. and Germany while ivory manufactures are sold in increasing quantities to Europe, Africa and West Asia.

160. It would be correct to say that the best customers for our handicrafts which have a curio or *objet d'art* value are the North American continent and Western Europe whose high standards of living permit of expenditure on articles beyond the bare necessities of life. The U.S.S.R. too is showing some interest in Indian handicrafts; the Soviet Ministry of Culture bought up all the Indian handicrafts displayed in the 1955 Moscow exhibition and orders have since been placed with the State Trading Corporation for supplies of handicrafts goods like shawls.

161. In our view, apart from improvements in quality and standards of production, two steps which are sure to benefit trade in handicrafts are canalisation of their exports through cooperatives and agencies like the State Trading Corporation and the negotiation of agreements by the Handicrafts Board, All India Cooperative Union or any other body with the better type of department stores in U.S.A., Canada and Western Europe. A well-stocked department store draws enormous crowds every day; small kiosks or counters displaying and selling Indian handicrafts in such stores can do far more to promote sales of handicrafts than any number of participations in exhibitions or despatch of trade delegations. We therefore, recommend the two measures suggested above for Government's consideration.

(j) *Other items*

162. Other lines of exports which could earn increasing amounts of foreign exchange are onions, meat and meat products, bone manufactures, canned fruits and vegetables, roofing tiles, soaps and toiletries, drugs and medicines, sports goods, films, essential oils, Surat Kampala sarees, Madras handkerchiefs, stationery, stamps, bird feathers, handmade laces etc.

Chapter XIV

SUMMARY OF RECOMMENDATIONS

A sumary of the recommendations made in Chapters II to XII of the report is appended below:—

1. A detailed analysis of long-term trends in our export commodities should be undertaken. (I. 3).

2. The likely effects on our exports consequent on the formamation of the European Common Market and the proposed European Free Trade Area should be discussed in the GATT with a view to obtaining such concessions and safeguards as will ensure that India's export trade is not materially affected. (I.27).

3. We should diversify our exports as well as export markets. (II. 9).

4. Greater attention should be paid to develop services such as shipping, banking and insurance. (II. 12).

5. Our traders, manufacturers and industrialists should develop a measure of export consciousness and be prepared to organise themselves to launch a concerted drive for the promotion of exports. (II. 13).

6. The aim should be to step up exports to Rs. 700 to 750 crores a year from now on. (III. 17).

7. In the present circumstances devaluation of the rupee will not help export promotion. (V. 4).

8. The aim should be to increase agricultural output as much as possible. Further, increased production of vegetable oilseeds, especially groundnuts, should receive the most urgent attention of Government. (V. 7).

9. To help exports, the most modern methods of production should be allowed even in our present lines. (V. 9).

10. While fixing targets for industrial production, especially in the engineering field, provision should invariably be made for exports. (V. 9).

11. Over-heads such as administrative, managerial and organisational costs should be reduced to the barest minimum. (V. 10).

12. When raw-material availabilities are insufficient to work existing industrial units at two or three shifts, production should be concentrated on the more efficient ones and the uneconomic units closed down by mutual agreement among parties concerned. (V. 11).

13. Wages should be related to production and much greater attention should be devoted to increasing productivity. (V. 12).

14. The Railways should accord first priority of movement to export freight. (V. 14).

15. The grant of concessional railway freights to export commodities should be examined in detail on an urgent basis. (V. 15).

16. Existing restrictions on inter-State road transport should be removed and commercial vehicles licencing and taxation policies in the States should be modified. (V. 16)

17. Barring exceptional circumstances, the aim should be to keep the level of export duties fairly stable over given periods of time. (V. 24)

18. The Export Risks Insurance Corporation should be authorised to provide insurance cover to exporters in respect of changes in export duty. (V. 30)

19. A flat rate of refund of excise duty should be applicable to all manufactures exported using duty-paid raw materials, semi-processed goods and packing material. (V. 33)

20. Traders and stockists who buy goods in the open market and export should also benefit from refund of excise duty. (V. 34).

21. Refunds should be given on the Central Sales Tax as also in cases where the sales tax is levied as a surcharge on excise duty. (V. 35)

22. Exporters should be given a measure of relief from income-tax, such relief being related to their total business turnover, the total income-tax they have to pay and the increase they have been able to effect in the export of non-quota items. (V. 36)

23. Relief from income-tax on a different basis should be granted to exporters of commodities which have not so far figured in our export list as also to new exporters. (V. 37)

24. Earnings by new foreign branches of Indian business houses should be exempted from income-tax during their period of consolidation, say 3 to 5 years. (V. 38)

25. Sections 42 and 43 of the Indian Income Tax Act should be liberally interpreted so that only in cases beyond doubt the exporter is made liable to pay income-tax on the assumed profits of foreign buyers. (V. 41)

26. Drawback of customs duty should be admissible not merely to goods manufactured in India out of imported materials, but also to imported goods processed, blended, sorted or packed in India. (V. 47)

27. The drawback system should be effectively simplified by granting refund of customs duties on a flat rate basis. (V. 47)

28. 5 per cent. of the increase in exports (by value) of a non-quota item effected by an exporter over his average performance during 1954-57 may be allocated to him for effecting such imports as he likes but allowed under the Import Trade Control policy in force from time to time. (V. 51)

29. Small quota-holders should be permitted to pool their quotas on mutually agreed terms with better-placed exporters of the same commodity. (V. 53)

30. It may be examined whether quota-holders cannot be allowed to pool their quotas in order to enable them to obtain higher prices abroad and to ensure that the overall quota set apart for export is actually shipped. (V. 54)

31. Against exports of better-priced Indian commodities for which there is a good demand abroad, imports of cheaper substitutes may be made. (V. 55)

32. Government should agree to make available the facilities of the Market Development Plan of the Export Risks Insurance Corporation to exporters on as wide a scale as possible. (V. 60)

33. Canalising of exports through a single agency, though a useful device, should be considered as an exceptional measure to be taken only in special circumstances. (V. 61)

34. Government should examine the feasibility of encouraging entrepot trade in India on a limited scale. (V. 66)

35. Government should actively assist the development of manufacture in bond for export purposes. (V. 67)

36. Government should encourage our traders to carry on external trading operations with such safeguards as may be necessary. (V. 68)

37. Trust receipts i.e. documents which exporters execute to obtain credit from banks should be capable of registration with the Registrar of Assurances and on violation of the provisions of such trust receipts, banks should be able rapidly to bring criminal charges against defaulters. The requisite legislation should be passed. (VI. 14)

38. Commercial banks should be enabled increasingly to re-discount bills through increased credits made available to them by the Reserve Bank. Such re-discounting should be at a rate materially below the bank rate and the benefit of the low rate should be passed on to exporters. (VI. 15)

39. Small producers and exporters should form co-operatives for undertaking exports. (VI. 16)

40. The State Bank of India should increasingly participate in the foreign trade of India. (VI. 17)

41. There is no urgent necessity for the establishment of an Export-Import Bank in India. (VI. 18)

42. Existing trade agreements should be renewed and new ones entered into as occasion demands. (VII. 8)

43. Special payments arrangements of the type agreed to with Egypt may be concluded with countries with which India has a heavy deficit in trade. (VII. 12)

44. Special arrangements within the broad frame work of the general policy of non-discrimination and multilateralism should be entered into for promoting exports. (VII. 13)

45. Under-developed countries should be allowed to give aids and incentives to their exports of manufactures. (VII. 17)

46. Government should set up Export Promotion Councils for commodities not already covered. (VIII. 5)

47. It will be advantageous for the State Trading Corporation to associate private business with its activities. The Corporation should carry on its business like any other private firm and, consequently, should not, save in exceptional circumstances, receive any privileges or facilities not available to the private sector. (VIII. 11)

48. Our Foreign Service officers should, at some stage of their career, be given a period of training of at least six months in an export house or manufacturing establishment. (VIII. 15)

49. Procedures and administrative formalities of all kinds in respect of export transactions should be simplified to the extent possible. (VIII. 16)

50. Government should explain to the public the urgency and importance of export promotion through suitable publicity in the newspapers etc. (VIII. 17)

51. The export trade in India should devote particular attention to packaging. (IX. 3)

52. Exporters should try to pool their export advertising and channel it through a single agency. (IX. 4)

53. Export Promotion Councils, Commodity Boards, trade delegations, travelling salesmen and our overseas commercial establishments should undertake market surveys for Indian products abroad. (IX. 5)

54. The Federation of Indian Chambers of Commerce and Industry should hold exhibitions similar to the Indian Industries Fair held in 1955-56 from time to time. (IX. 6)

55. There is need for a comprehensive directory of importers and exporters in India. The compilation of such a document may be entrusted to a non-official organisation like the F.I.C.C.I. and the venture given every co-operation from Government. (IX. 9)

56. An agency for furnishing status reports on Indian firms should be established in India in due course. (IX. 10)

57. Government should bring out a weekly "Indian Journal of Foreign Commerce". (IX. 11)

58. The Directorate of Commercial Intelligence and Statistics may be so re-organised that its commercial intelligence and related functions are transferred to the proposed Export Services Department in the Ministry of Commerce and Industry. (IX. 12)

59. Foreign exchange should be allowed on a more liberal basis to exporters going abroad to conclude sales or for exploring export possibilities. (IX. 13)

60. We should aim at carrying 50 per cent of our total overseas trade in our own ships within the next 10 years. (X. 5)

61. Government should encourage shipping corporations, both public and private, to acquire ships on a deferred payment basis. (X. 6)

62. A third ship building yard should be planned immediately. (X. 8)

63. In addition to providing loans for acquisition of ships at low rates of interest, Government should consider the question of selective tax exemptions to shipping companies on amounts spent by them in the acquisition of additional tonnage. (X. 9)

64. In respect of transport of government imports and exports, Government should use their good offices in persuading conference lines to enable and assist Indian shipping companies to participate increasingly on fair and equal terms in all routes and also to make selective as well as general reductions in the freight rates on Indian commodities. (X. 12)

65. The possibility of negotiating a measure of relief from high freight rates on certain commodities with the foreign shipping lines concerned may be examined. (X. 13)

66. The handling capacity and operational efficiency of ports should be improved. The facilities available in ports such as warehouses, storage space for fluids, fumigation facilities etc. should be improved. (X. 14)

67. The proposal to develop a port at Geonkhali as a satellite to Calcutta should be actively pursued. (X. 15)

68. Indian firms should increasingly patronise Indian banks for export transactions and the latter should offer attractive terms and satisfactory service to Indian exporters. (X. 19)

69. The Reserve Bank of India should examine the question of granting loans and advances at low interest rates to banks desiring to open new branches in foreign countries. (X. 21)

70. Indian importers should increasingly entrust insurance cover for their imports with Indian insurance companies. (X. 23)

71. Accommodation facilities should be greatly increased in centres of tourist interest. (X. 28)

72. The Indian Airlines Corporation should give facilities to tourists in regard to reservations and cancellation charges. (X. 29)

73. The Indian Railways should consider the question of giving concessions to tourists on the same scale as foreign railways. (X. 30)

74. Road transport facilities to tourists should be provided through well-appointed coaches, conducted bus tours etc. (X. 31)

75. Frontier formalities, police registration, income-tax clearance etc. should be simplified. (X. 33)

76. Publicity abroad to attract tourist traffic into India should be strengthened. (X. 34)

77. Grading certificates in respect of commodities already covered should be issued without delay and grading inspectors should have proper training and receive adequate emoluments. (XI. 4)

78. Further grading schemes should be started first on a voluntary basis. (XI. 5)

79. There should be a system of compulsory registration of all exporters. (XI. 10)

80. Government should confer with the principal business associations with a view to investigating the possibility of setting up an all-India agency for pre-shipment inspection and surveys. (XI. 12)

81. The question of forming an Indian Arbitration Association should be studied by the Chambers and Associations presently providing arbitration facilities. (XI. 17)

82. An Export Services Department should be set up in the Ministry of Commerce and Industry. (XII. 7)

83. The head of this Department should be a person of high standing preferably one with wide business and administrative experience. If an officer already in Government is appointed to head it, he should be of the rank of Joint Secretary and also have experience of commercial matters and should not be subject to frequent transfers. (XII. 9)

84. A Standing Committee of representatives of trade and industry should be set up to advise the Export Services Department on export promotion matters. The head of the Export Services Department should be its Chairman. (XII. 10)

85. The Export Services Department should have field officers under Deputy Directors in Bombay, Calcutta and Madras to begin with. (XII. 11)

V. L. D'SOUZA, *Chairman.*
T. C. KAPUR, *Member.*
KARAM CHAND THAPAR, *Member.*
G. B. KOTAK, *Member.*
R. M. GANDHI, *Member.*
NAZIR HUSSAIN, *Member.*
P. CHENTSAL RAO, *Member.*
R. VENKATESWARAN, *Member-Secretary.*

NEW DELHI,
August 31, 1957.

STATEMENT I

INDIA'S BALANCE OF PAYMENTS

Current Account : Region-wise Summary

(Crores of Rupees)

	1951-52	1952-53	1953-54	1954-55	1955-56	1956-57 (Preliminary)
All Areas						
Imports c. i. f.	962·9	633·0	591·8	683·8	750·6	1,076·5
Exports f. o. b.	730·1	601·9	539·7	596·6	641·1	637·0
Trade Balance	—232·8	—31·1	—52·1	—87·2	—109·5	—439·5
Official Donations (net)	+5·3	+10·8	+19.0	+15·8	+42·0	+39·8
Other Invisibles. (net)	+64·9*	+85·5	+80·5	+77·4	+84·4	+107·2
Current Account (net)	—162·6	+60·2	+47·4	+6·0	+16·9	+292·5
Sterling Area						
Imports c.i.f.	376·7	281·8	302·3	357·4	357·2	458·5
Exports f.o.b.	397·5	306·2	291.2	339·7	331·2	333·2
Trade Balance	+ 20·8	+24·4	—11·1	—17·7	—26·0	—125·3
Official Donations (net)	+2·8	+1·5	+0·4	+0·8	+0·1	+2·1
Other Invisibles (net)	+75·3	+73·0	+74·9	+69·8	+70·5	+88·0
Current Account (net)	+98·9	+98·9	+64·2	+52·9	+44·6	—35·2
Dollar Area						
Imports c.i.f.	329·6	185·6	108·4	116·8	125·2	198·5
Exports f.o.b.	173·5	143·8	115·6	113·3	120·5	121·5
Trade Balance	—156·1	—41·8	+ 7·2	— 3·5	— 4·7	—77·0
Official Donations (net)	+2·5	+9·8	+18·6	+15·0	+41·9	+37·5
Other Invisibles (net)	+2·6*	+5·6	+1·4	+3·4	+6·4	+8·1
Current Account (net)	—151·0	— 26·9	+27·2	+14·9	+43·6	—31·4

(Crores of Rupees)

	1951-52	1952-53	1953-54	1954-55	1955-56	1956-57 (Preliminary)
OEEC Countries. †						
Imports c.i.f.	106·1	82·2	101·6	135·0	154·2	263·9
Exports f.o.b.	73·8	63·1	45·4	60·6	73·1	63·3
Trade Balance	312·3	—19·1	—56·2	—74·4	—81·1	—200·6
Official Donations (net) . .	..	..	..	..	..	0·1
Other Invisibles. (net) . .	—2·5	—1·2	—1·3	—1·3	—3·1	—1·4
Current Account (net) . .	—34·8	—20·3	—57·5	—75·7	—84·2	—201·9
Rest of Non-Sterling Area						
Imports c.i.f.	150·5	83·4	79·5	74·6	114·0	155·6
Exports f. o. b.	85·3	88·8	87·5	83·0	116·3	119·0
Trade Balance	—65·2	+3·1	+8·0	+8·4	+ 2·3	—36·6
Official Donations (net) . .	..	..	..	..	..	+0·1
Other Invisibles. (net) . . .	—10·5	+5·5	+5·5	+5·5	+10·6	+12·5
Current Account (net) . .	—75·7	+8·5	+13·5	+13·9	+12.9	—24·0

*Includes non-monetary gold movement (net) Rs. —1·0 crore.

†Include transactions with their associated territories up to June 1955.

Source : *Reserve Bank of India Report on Currency and Finance (1956-57).*

STATEMENT 2

INDIA'S FOREIGN EXCHANGE RESERVES

(Lakhs of Rupees)

End of	Assets*	Liabilities**	Net Assets	Movement of Net Assets
1951-52	795,34	140,75	654,59	—180,27
1952-53	813,79	102,79	711,00	+56,41
1953-54	844,78	870,77	757,71	+46,71
1954-55	827,64	75,81	751,83	— 5,88
1955-56	842,60	80,86	761,74	—9,91
1956-57†	701,42	117,88	583,54	—178,20

*Include (a) 7·1 million ounces of gold held by the Reserve Bank of India, valued till October 5, 1956 at Rs. 21·24 per tola and at Rs. 62·50 per tola thereafter as provided under Section 33 of the Reserve Bank of India (Amendment) Act, 1956.

(b) Foreign assets of the Reserve Bank of India and authorised dealers and (c) Government balances held abroad.

** Include liabilities of the Reserve Bank of India and authorised dealers to non-resident official institutions and banks.

†Data for 1956-57 include net borrowing from I.M.F. of S 115 million (Rs. 55 crores).

Source : Reserve Bank of India Report on Currency and Finance (1956-57)

STATEMENT NO. 3

INDIA'S BALANCE OF TRADE IN MERCHANDISE †

(Sea, Air and Land)

(PRIVATE AND GOVERNMENT)

(Lakhs of Rupees)

Year	Imports**	Exports*	Balance of Trade
1951-52	943,13	732,99	—210,14
1952-53	669,88	577,37	—92,51
1953-54	571,93	530,62	—41,31
1954-55	656,26	593,54	—62,72
1955-56	704,81	609,41	—95,40
1956-57	840,11	600,37	—239,74

† Provisional. * Figures are inclusive of re-exports and are on *f.o.b.* basis.

**Exclude the value of certain special imports of foodgrains and stores for which full particulars are not available.

Source : Reserve Bank of India Report on Currency and Finance (1956-57).

STATEMENT 4

INDEX NUMBERS OF IMPORTS AND EXPORTS

Base : 1952-53-100

Year	Volume Index Imports/	Volume Index Exports	Price Index Imports/	Price Index Exports	Net Terms of Trade
1948-49	135	106	78	86	110
1949-50	127	112	77	91	118
1950-51	112	117	83	111	134
1951-52	146	95	115	153	133
1952-53	100	100	100	100	100
1953-54	95	99	93	94	101
1954-55	105	102	91	100	110
1955-56	114	115	94	93	99

Source : Reserve Bank of India.

STATEMENT 5

DIRECTION OF TRADE

Exports from India (by Sea, Air and Land)

(Value in lakhs of Rupees)

Country	1951-52	1952-53	1953-54	1954-55	1955-56	1956 (April-Dec.)
U. K.	18,786	12,244	14,871	18,808	16,438	13,559
U.S.A.	13,013	11,189	8,969	8,803	8,526	6,436
Canada	1,624	1,282	1,307	1,743	1,401	1,166
Japan	1,427	3,118	2,316	1,610	3,015	2,0 9
South East Asia:						
Philippines	181	176	111	98	184	77
Australia	4,663	1,696	1,752	2,453	2,481	1,674
New Zealand	791	286	298	454	458	368
Indonesia	450	530	661	544	1,160	570
Viet Nam } Laos }	68	27	67	128	43	22
					..	1
Cambodia					65	31
Malaya	373	316	631	384	437	286
Ceylon	1,650	1,982	1,789	1,856	2,027	1,340
Burma	1,960	2,219	2,086	1,606	1,239	712
Pakistan	4,525	3,111	801	975	830	639
Thailand	872	427	360	220	317	132
Singapore	1,194	1,546	778	704	791	508
China	677	41	80	296	654	272
West Asia:						
Iran	414	206	153	609	516	334
Iraq	313	208	244	276	213	147
Afghanistan	398	472	389	288	214	131
Saudi Arabia	185	297	348	305	603	357
Jordan	15	23	19	32	30	19
Lebanon	23	29	18	52	26	22
Syria	68	75	99	213	108	59
Egypt	635	568	347	809	946	849
Sudan	772	614	511	703	562	680
Tunis	35	35	28	30	14	9
O.E.E.C. Countries:						
Austria	100	42	57	33	40	19
Belgium	770	663	438	640	881	498
Denmark	123	101	110	130	204	143
France	1,045	563	528	529	703	468

(Value in lakhs of Rupees)

Country	1951-52	1952-53	1953-54	1954-55	1955-56	1956 (Apr.-Dec.)
West Germany	866	1,238	1,146	1,511	1,476	1,056
Greece	60	44	26	28	30	24
Iceland	4	1	..	1		3
Ireland	638	250	526	767	582	311
Italy	693	1,049	506	652	954	474
Netherlands	773	1,025	653	1,377	1,517	795
Norway	160	88	41	60	112	33
Portugal	56	50	49	37	20	17
Sweden	241	181	148	160	154	116
Switzerland	205	59	75	93	90	63
Turkey	352	495	258	149	245	184
East and West Africa:						
Nigeria	709	643	848	840	818	568
Kenya	883	654	600	678	603	462
Uganda	35	71	81	83	106	44
Tanganyika	262	367	337	446	368	252
Nyasaland	38	99	127	71	79	48
Rhodesia—						
Northern	45	49	97	62	62	33
Southern	278	140	196	216	161	109
Mozambique	91	93	70	74	75	55
Ethiopia	109	32	225	329	376	247
East European Countries.						
U.S.S.R.	667	85	115	212	326	1,094
Poland	11	4	15	46	33	87
East Germany	2	2	1	4	2	26
Hungary	..	4	2	2	8	10
Czechoslovakia	119	107	267	158	133	209
Yugoslavia	26	11	1	2	24	16
Bulgaria	..	..	..	1	2	5
Rumania	..	3	..	4	1	8

Source : Accounts relating to the Foreign (Sea, Air and Land) Trade and Navigation of India.

STATEMENT 6

DIRECTION OF TRADE

Imports into India (by Sea, Air and Land)

(Value in lakhs of Rs.)

Country	1951-52	1952-53	1953-54	1954-55	1955-56	1956 (Apr. Dec.)
U.K.	16,228	13,884	14,271	15,336	17,269	15,500
U.S.A.	29,377	18,141	7,925	8,222	8,930	7,058
Canada	1,934	2,931	1,410	1,016	684	559
Japan	2,542	1,582	1,306	2,057	3,337	3,421
South East Asia:						
Philippines	73	36	25	17	22	19
Australia	1,762	1,273	2,599	1,976	1,347	900
New Zealand	214	106	133	189	248	164
Indonesia	321	101	150	81	146	188
Vietnam	..	..	..	..	5	..
Laos	..	..	..	..	..	..
Cambodia	..	..	..	..	2	..
Malaya	423	225	419	583	448	680
Ceylon	560	429	508	751	942	659
Burma	2,334	2,647	1,755	5,736	958	388
Pakistan	8,750	2,188	1,930	1,938	2,711	1,239
Thailand	1,164	772	45	75	48	35
Singapore	1,787	1,257	1,626	1,556	1,384	1,167
China	1,589	1,302	99	203	438	595
West Asia:						
Iran	2,894	250	204	420	1,443	2,450
Iraq	361	205	256	184	227	151
Afghanistan	453	466	445	542	438	289
Saudi-Arabia	1,004	1,477	1,482	1,681	1,516	1,270
Jordan	..	..	..	6	9	23
Lebanon	15	2	7	13	24	24
Egypt	4,053	1,512	2,766	1,969	2,310	492
Sudan	1,430	399	748	305	1,268	843
Syria	5	..	..	4	12	1
Tunis	..	..	..	4	10	..
O.E.E.C. Countries:						
Austria	247	189	251	213	2	371
Belgium	1,028	660	797	1,064	2,208	1,895
Denmark	222	151	163	211	418	313
France	1,089	1,355	993	1,635	1,554	1,509

(Value in lakhs of Rs.)

Country	1951-52	1952-53	1953-54	1954-55	1955-56	1956 (April-Dec.)
West Germany	2,856	2,255	3,105	4,068	6,028	6,462
Greece	7	4	8	10	11	6
Iceland	..	..	..	..	..	..
Ireland	3	2	4	1	..	..
Itlay	1,798	1,201	2,307	2,052	1,650	2,183
Netherlands	1,098	1,080	1,130	1,364	1,413	1,079
Norway	358	279	292	267	311	234
Portugal	30	21	30	36	43	27
Sweden	749	566	618	606	786	875
Switzerland	999	695	912	1,017	1,207	1,258
Turkey	13	1	..	1	..	8
East & West Africa:						
Nigeria	..	..	37	108	48	..
Kenya	1,860	2,057	1,532	1,839	2,185	1,574
Uganda	18	122	158	7	28	47
Tanganyika	217	198	115	246	227	265
Rhodesia						
Nothern	22	82	19	50	5	213
Southern	33	39	32	58	50	75
Mozambique	342	595	448	444	450	221
Ethiopia	3	2	35	1	4	3
East European Countries:						
U.S.S.R.	138	24	60	181	621	1,080
Poland	34	26	16	424	43	211
East Germany	7	10	8	23	37	20
Hungary	32	16	10	10	41	58
Czechoslovakia	281	135	114	125	289	517
Yugoslavia	14	9	7	16	29	172
Bulgaria	..	..	..	1	3	22
Rumania	..	..	..	28	32	19

Source :—Accounts relating to the Foreign (Sea, Air and Land) Trade and Navigation of India.

STATEMENT 7

PRINCIPAL IMPORTS INTO INDIA

(By Sea, Air and Land)

(Value in lakhs of Rs.)

Item	1951-52	1952-53	1953-54	1954-55	1955-56	1956 (April-Dec.)
Consumers, Goods.						
1. Grain, Pulse & flour* . .	22,812	16,128	7,248	6,837	1,768	135
2. Fruits and Vegetables (excluding cashewnuts) .	1,062	908	956	1,000	984	696
3. Spices . .	966	425	568	429	634	654
4. Textile manufactures (excluding yarn) .	848	564	479	437	684	426†
5. Drug & Medicines	1,561	1,147	1,247	1,328	1,501	1,207
Producers' Goods.						
(*i*) *Raw materials*—						
1. Hides & Skins raw and tanned.** . .	123	80	112	129	198	110
2. Oils (excluding Kerosene) .	6,028	6,006	6,488	6,142	4,369	4,578
3. Raw cotton .	13,718	7,667	5,275	5,845	5,733	3,526
4. Raw Jute . .	6,708	1,648	1,432	1,300	1,933	737
5. Raw wool . .	259	71	178	100	142	81
6. Art Silk yarn .	1,729	785	1,204	1,269	1,544	1,374
7. Chemicals (including chemical preparations) .	1,990	1,274	1,272	1,793	2,126	1,874
8. Dyes . .	1,607	851	1,663	1,737	1,497	1,224
(*ii.*) *Capital Goods.*						
1. Machinery (excluding consumption items) .	10,516	8,530	8,351	8,282	11,451	11,350
2. Electrical goods .	1,019	1,485	1,310	1,118	1,502	1,542
3. Metals—iron and steel. . .	2,079	2,056	2,267	2,861	5,414	9,841
4. Other metals .	2,276	2,271	1,614	2,844	3,829	2,882
TOTAL (including others) . .	94,313	66,988	57,193	65,626	67,883	61,187 (c)

*Excludes value of certain consignments of foodgrains awaiting adjustments.

†Incomplete.

@Figures are provisional.

(*Source : D.G.C.I. & S.*)

Statement 8

PRINCIPAL EXPORTS FROM INDIA

(By Sea, Air and Land)

(Value in lakhs of Rs.)

Item	1951-52	1952-53	1953-54	1954-55	1955-56	1956 (April-Dec.)
A. Consumers' goods.						
1. Cashew kernels	905	1,298	1,099	1,070	1,292	1,187
2. Black pepper .	2,322	1,606	1,287	699	471	196
3. Tea . .	9,398	8,088	10,219	14,774	10,914	10,844
4. Cotton piece goods* . .	5,215	6,207	6,365	6,331	5,663	4,271
5. Woollen carpets & rugs. . .	588	280	369	387	397	306
B. Producers' Goods.						
1. Coal . .	955	983	684	572	425	401
2. Mica . .	1,321	901	800	672	837	657
3. Manganese Ore.	1,569	2,178	2,423	1,292	1,072	847
4. Gums, Resins & Lac .	1,627	811	743	1,151	1,299	867
5. Hides & Skins, raw & tanned.	3,354	2,580	3,106	2,777	2,911	1,984
6. Vegetable oils.	2,361	2,655	489	2,002	3,433	1,244
7. Raw cotton .	1,368	1,933	940	1,019	2,969	762
8. Raw wool .	490	841	587	861	973	727
9. Gunny bags .	13,529	6,139	4,024	5,685	5,419	3,987
10. Gunny cloth .	12,458	6,307	6,943	6,254	5,908	4,474
TOTAL EXPORTS (including others)	72,907	57,234	52,581	58,847	59,085	43,467

NOTE.—(1) Exports are on f.o.b. basis from 1951-52.

(2) Exports are of Indian merchandise only, and

(3) Figures for 1956-57 are provisional.

* Handloom and Mill-made.

(Source : D.G.C.I.&S.)

STATEMENT 9-A

EXPORTS OF PRINCIPAL COMMODITIES—QUANTITIES DESTINATION-WISE

Jute :

Unit : Tons

	1951-52	1952-53	1953-54	1954-55	1955-56	1956-57 (April-Dec.)
Gunny bags.						
U. K. . . .	28,16	16,129	18,304	21,325	17,858	10,964
Australia . .	23,165	47,022	56,373	92,466	1,05,992	67,705
New Zealand .	13,942	7,390	6,789	13,145	13,680	11,226
Kenya . . .	10,798	5,619	5,342	11,554	8,395	4,612
Burma . . .	32,411	16,480	17,805	24,331	23,193	23,937
Indonesia . .	n. a.	23,180	20,463	19,466	27,453	16,781
Thailand . .	26,875	15,324	19,271	10,147	17,088	4,390
China . . .	21,685	2,232	1,376	11,800	15,589	5,826
Philippines . .	908	2,289	1,760	3,967	7,133	4,711
Nigeria . . .	41,306	17,420	14,430	20,943	17,114	14,560
Egypt . . .	4,349	8,204	18,98	22,919	26,104	22,817
Syria . . .	1,563	2,996	6,434	14,452	6,743	3,942
Sudan . . .	13,599	2,383	4,402	4,714	8,199	12,875
Cuba . . .	42,818	47366	35,632	37,210	35,404	39,796
Peru . . .	72,361	10,185	11,372	7,663	11,352	9,979
TOTAL (Including others)	4,71,690	3,71,655	3,54,443	4,50,684	4,52,450	3,44,730
Gunny cloth.						
U.K. . . .	62,109	19,846	60,106	57,261	35,484	32,086
Australia . .	11,198	6,122	12,037	12,282	15,177	10,368
Canada . . .	15,397	22,094	24,621	27,881	31,955	26,785
U.S.A. . . .	1,22,748	1,78,703	1,43,988	1,55,611	1,73,259	1,49,691
Uruguay . . .	4,596	6,804	6,705	8,364	8,733	10,299
Argentine Republic	46,615	33,232	1,03,759	72,174	62,870	34,805
TOTAL (including others)	2,86,681	3,03,730	3,88,534	3,59,824	3,62,484	2,95,754

Unit: '000 lbs

U.K. . . .	2,88,041	2,81,111	3,41,497	3,30,016	2,80,870	2,68,900
Irish Republic .	24,051	12,441	21,072	23,240	19,717	10,448
Australia . .	6,497	12,630	3,471	7,838	6,226	6,761
Kuwait . . .	8,096	9,038	3,569	3,005	2,797	2,221
U.S.A. . . .	26,671	29,060	30,208	30,274	25,435	19,127
Canada .	19,178	22,594	20,195	20,275	17,266	16,720
W. Germany .	2,411	2,384	3,720	2,556	4,162	4,947

Tea-contd.	1951-52	1952-53	1953-54	1954-55	1955-56	1956 (April-Dec.)
						Unit '000 lbs.
Netherlands	5,866	7,638	5,652	4,012	4,051	2,903
Turkey	3,675	5,321	5,202	2,052	5,356	2,872
Egypt	3,576	13,057	10,022	9,249	14,678	17,586
Iran	10,928	1,114	1,372	8,475	8,267	4,596
TOTAL (including others)	4,25,872	4,27,389	4,70,414	4,59,516	4,03,583	3,85,047

Raw Cotton. Unit : tons.

	1951-52	1952-53	1953-54	1954-55	1955-56	1956 (April-Dec.)
U. K.	2,863	3,706	3,379	4,431	15,265	1,633
Western Germany	123	3,925	1,996	1,316	2,955	229
Netherlands	879	3,595	2,739	1,527	3,415	275
Belgium	433	3,751	756	1,503	8,509	445
France	416	4,719	2,812	1,841	3,643	218
Italy	351	3,001	654	877	5,350	279
Japan	8,582	38,550	16,339	14,603	56,509	23,358
U.S.A.	8,716	6,602	5,119	2,646	1,422	123
(Total including others.)	22,977	70,887	34,956	29,940	1,20,773	29,731

Cotton Waste. Unit : '000 cwts.

	1951-52	1952-53	1953-54	1954-55	1955-56	1956 (April-Dec.)
U.K.	136	301	299	204	246	128
W. Germany	13	106	133	104	91	66
Belgium	33	88	87	76	78	27
Japan	14	196	197	235	286	198
U.S.A.	148	277	243	260	238	131
Australia	70	37	80	81	77	58
(Total including others).	623	1,260	1,269	1,203	1,210	737

Unit: '000 yds.

Mill made piece-goods.

	1951-52	1952-53	1953-54	1954-55	1955-56	1956 (April-Dec.)
U. K.	49,159	2,209	44,414	115,167	81,313	65,520
Aden	29,600	67,984	80,100	51,158	38,066	30,891
Kuwait	4,119	11,482	18,038	5,726	4,395	3,278
Afghanistan	23,041	26,069	23,109	23,663	12,570	6,778
Ceylon	8,579	17,300	20,420	22,912	22,000	18,724
Burma	12,662	78,767	74,910	32,290	12,097	8,901
Singapore	58,837	91,494	39,948	29,941	25,963	21,849
Nigeria	7,992	14,872	46,401	47,537	53,638	31,801
Rhodesia	2,760	6,511	12,921	11,697	17,930	7,238
Kenya	13,954	28,041	35,071	35,339	34,520	34,717
Tanganyika	7,280	20,690	22,438	29,397	26,197	17,172
Sudan	20,233	59,031	47,434	82,516	64,320	66,532

	1951-52	1952-53	1953-54	1954-55	1955-56	1956 (April-Dec.).
Mill-made piece-goods—contd.					Unit: '000 yds.	
Ethiopia . .	8,876	447	21,812	37,280	32,063	24,294
Australia . .	24,777	6,539	43,379	39,479	41,194	30,054
Canada . . .	3,226	4,208	10,168	10,038	13,674	10,129
TOTAL (including others). .	3,83,702	5,65,368	7,06,212	7,63,020	6,80,325	5,14,805
Handloom.					Unit : '000 yds.	
U.K. . . .	310	757	372	524	566	585
Aden . . .	2,659	3,573	4,433	4,595	3,372	1,906
Ceylon . . .	17,537	27,214	26,819	22,593	23,749	13,896
Singapore . .	2,251	4,112	2,165	3,865	3,200	2,161
Malaya . . .	4,729	3,354	4,874	4,526	6,429	4,637
Nigeria . . .	7,537	10,056	16,753	12,878	13,470	8,629
TOTAL (including others). .	39,963	55,351	63,416	57,785	60,037	42,367
Manganese Ore.					Unit : '000 tons	
U. K. . . .	115	151	153	123	92	40
W. Germany .	145	147	79	40	38	26
France . . .	44	48	60	75	122	45
Italy . . .	48	23	22	32	39	18
Japan . . .	130	46	121	66	125	76
U.S.A. . . .	577	944	1,043	570	321	163
TOTAL (including others). .	1,125	1,440	1,570	990	921	481
Iron ore.					Unit: tons.	
W.Germany . .	25	105	75	88	49	26
Belgium . .	38	130	19	14	26	..
Czechoslovakia .	21	155	497	278	187	306
Japan . . .	164	347	558	503	1,007	738
TOTAL (including others). .	280	811	1,250	1,009	1,363	1,263
Mica Blocks.					Unit: cwts.	
U. K. . . .	12,308	6,878	6,606	12,482	66,759	5,629
W. Germany .	1,930	765	1,804	2,116	4,105	6,773
Netherlands . .	1,307	700	1,203	1,772	810	1,044
France . . .	2,225	1,094	716	1,462	1,470	1,699
Japan . . .	1,231	2,385	2,867	1,720	6,253	4,268
U.S.A. . . .	11,235	14,011	18,616	12,221	22,550	15,556
TOTAL (including others). . .	32,778	27,882	34,065	35,300	105,120	38,391

	1951-52	1952-53	1953-54	1954-55	1955-56	1956 Unit: cwts.
Mica Splittings.						
U.K.	69,994	17,689	14,974	25,550	27,048	13,484
W. Germany	9,361	12,142	10,576	16,382	14,403	10,328
France	9,941	3,614	3,054	4,186	4,630	4,687
Italy	3,043	2,280	1,890	3,099	2,788	2,895
Japan	3,086	5,971	6,549	3,238	6,374	7,423
U.S.A.	121,890	54,412	61,804	44,925	81,794	47,163
TOTAL (including others.)	230,503	101,252	106,260	108,204	148,878	97,151
Mica : all sorts GRAND TOTAL	407,666	284,102	254,738	372,804	519,301	288,691
Coir Manufactured:						
Coir Yarn						Unit: cwts.
U. K.	167,516	139,988	167,720	153,928	140,003	107,850
W. Germany	141,534	180,241	198,616	204,671	181,055	155,423
Netherlands	148,437	176,816	252,584	217,646	249,955	199,255
France	66,549	70,076	86,838	85,805	76,996	75,851
Italy	68,093	75,484	88,263	76,908	87,326	53,112
Burma	32,849	81,278	48,294	56,460	52,038	58,142
U.S.A.	57,029	56,209	44,189	43,563	45,916	57,141
TOTAL (including others.)	905,388	968,914	1,111,408	1,088,416	1,083,249	928,089
Coir Mats & Mattings						Unit : cwts.
U. K.	103,833	140,983	120,157	125,875	119,145	91,006
U.S.A.	36,291	40,300	42,402	47,649	51,919	39,955
Australia	34,940	15,101	39,082	35,017	29,547	18,874
TOTAL (including others.)	230,202	248,165	269,726	290,776	278,729	205,325
GRAND TOTAL :	1,219,372	1,282,409	1,521,707	1,511,162	1,483,656	1,206,700
Lac :						Unit : cwts.
Button Lac.						
U. K.	9,325	6,049	5,911	6,521	6,498	5,002
U.S.A.	13,262	21,463	4,016	2,874	4,833	3,709
TOTAL (including others).	26,632	29,957	12,302	12,223	14,589	12,161
Seed Lac.						
U. K.	13,999	16,034	19,016	23,495	12,959	10,124
U.S.A.	93,075	261,692	165,195	127,620	133,362	74,153
TOTAL (including others.)	124,607	298,329	205,704	176,992	172,178	105,151

	1951-52	1952-53	1953-54	1954-55	1955-56	1956 (April-Dec.)
					Unit :	cwts.
Shellac.						
U.K. . . .	134,377	77,311	82,102	85,355	69,147	60,203
U.S.S.R. . .	84,667	11,288	10,315	11,649	12,825	42,461
W. Germany .	15,070	10,041	19,916	17,296	26,998	16,595
France . . .	12,419	13,348	11,821	11,291	12,644	8,124
Italy . . .	12,330	16,377	95,548	13,075	23,630	15,928
Hongkong . .	7,576	12,806	6,471	15,136	4,191	4,218
Japan . . .	2,550	19,527	13,552	6,234	10,431	5,016
U.S.A. . . .	128,023	83,336	56,137	47,140	57,084	36,884
Australia . .	13,826	7,830	9,185	7,161	10,584	6,153
TOTAL (including others) . .	494,721	307,300	260,647	283,939	318,110	266,808
GRAND TOTAL .	712,744	688,055	537,666	532,606	569,276	421,422

Tobacco: Unmanufactured:	1951-52	1952-53	1953-54	1954-55	1955-56	1956 (April-Dec.)
					Unit :	'000 lbs.
U. K. . . .	42,947	33,520	26,625	37,251	29,571	29,253
Netherlands . .	2,327	2,602	2,481	2,757	2,381	3,392
Belgium . .	998	2,180	2,623	2,310	2,121	2,718
Aden . . .	4,618	3,070	7,214	6,356	5,850	4,730
Indonesia . .	1,970	3,428	2,081	319	11,041	4,553
Japan . . .	1,927	14,507	10,061	5,892	7,733	978
China . . .	..	..	..	15,115	21,330	28,003
Egypt . . .	2,249	2,006	1,816	2,437	2,368	1203
TOTAL (including others) .	100,351	80,302	65,023	85,031	88,931	82,122
Tobacco: Manufactured:						
Ceylon . . .	1,474	2,088	2,363	2,800	2,541	2,086
Singapore . .	361	45	58	43	67	91
Malaya . . .	293	89	63	69	80	23
TOTAL (including others) .	7,112	5,137	2,978	3,708	3,420	2,235
GRAND TOTAL .	107,463	85,444	68,001	88,738	92,352	85,338

Cashew Kernels:	1951-52	1952-53	1953-54	1954-55	1955-56	1956 (April-Dec.)
					Unit :	tons
U.K. . . .	5,353	7,028	5,426	4,282	3,052	2,878
U.S.A. . . .	14,663	19,578	19,145	27,180	24,408	17,443
Canada . .	445	995	1,073	966	1,131	738
Australia . .	350	49	409	481	564	354
TOTAL (including others) .	21,303	27,897	26,530	34,011	30,863	25,025

Country	1951-52	1952-53	1953-54	1954-55	1955-56	1956 (April-Dec.)

Unit : cwts

Country	1951-52	1952-53	1953-54	1954-55	1955-56	1956 (April-Dec.)
Hides & Skins:						
Raw Goatskins:						
U.K.	26,420	22,820	31,216	28,103	20,171	11,683
W. Germany .	8,700	17,920	22,809	15,404	10,149	10,737
U.S.S.R. . .	..	..	921	37,927	36,884	35,234
Italy	12,080	22,480	13,592	8,516	19,229	15,365
Czechoslovakia .	260	2,920	3,110	7,573	5,586	4,139
U.S.A.	141,440	135,520	104,465	99,936	91,971	58,000
Australia . . .	9,040	2420	2,691	7,121	3,918	4,300
TOTAL (including others) .	207,000	210,260	194,408	213,300	193,238	141,682
Total of Raw Hides & Skins .	354,950	281,890	225,926	288,078	258,060	177,542
Tanned Cowhides						
U.K.	249,000	238,108	284,479	222,626	220,413	161,567
U.S.A.	8,680	7,870	9,343	2,246	66	33
TOTAL (including others) .	270,220	259,688	307,104	235,423	229,610	168,576
Goat Skins—tanned or dressed.						
U.K.	34,800	48,049	58,751	55,189	57,399	43,066
Netherlands . .	4,560	1,102	146	46	135	50
Belgium . . .	1,620	2,593	4,075	4,473	5,919	3,891
France	6,000	8,009	7,180	7,270	9,733	8,630
U.S.A.	13,560	13,741	13,551	6,687	7,344	6,160
TOTAL (including others) .	65,080	81,329	93,207	83,329	96,642	72,516
Sheep Skins—tanned or dressed:						
U.K.	47,020	46,412	54,012	42,382	41,389	27,643
West Germany .	..	..	..	2,678	2,825	1,570
Japan	..	..	..	9,034	10,245	14,891
U.S.A.	840	1,052	269	650	291	98
TOTAL (including others) .	55,480	70,373	75,022	58,417	57,947	47,349
GRAND TOTAL .	457,312	467,370	541,415	432,724	438,311	328,887

	1951-52	1952-53	1953-54	1954-55	1955-56	1956 (Apr-Dec)
Oil Seeds:						
Groundnuts.					Unit :	Tons.
U. K.	860	250	1,044	2,727	13,062	48
Netherlands	70	2,399	1,066	1,455	1,736	25
Canada	6,138	8,607	2,386	15,456	3,308	..
TOTAL (including others)	19,744	12,736	5,326	23,077	26,711	166
Vegetable Oils: Essential:						
Lemongrass oil					Unit : '000	lbs.
U. K.	270	238	288	399	346	355
Netherlands	..	..	..	169	123	109
France	..	..	..	157	228	208
Switzerlend	..	..	..	99	170	99
U. S. A.	405	214	255	705	657	661
TOTAL (including others)	1,094	840	1,247	1,733	1,833	1,673
Sandalwood oil					Unit : '000	lbs.
U. K.	28	37	44	52	52	27
Sudan	6	14	14	10	8	6
France	..	..	..	33	47	16
Japan	..	..	..	21	21	20
U.S.A.	2	28	6	29	30	40
TOTAL (including others)	66	130	154	186	193	148
Vegetable Oils: Non-esssential:						
Castor oil.					Unit: '000	lbs.
U. K.	2,218	1,839	1,393	3,106	3,431	2,472
Sweden	65	106	54	151	134	120
France	464	62	3	..	..	150
U.S.A.	995	6,030	2,557	3,356	4,894	4,669
Australia	495	194	354	299	421	300
TOTAL (including others)	5,522	8,924	4,609	7,254	9,374	8,364
Groundnut oil					Unit : '000	gals.
U.K.	399	2,005	..	1,247	495	..
Hongkong	..	..	..	978	932	..
Canada	1,159	70	..	744	416	..
Netherlands	440	4,157	132	10,158	10,376	83

	1951-52	1952-53	1953-54	1954-55	1955-56	1956 (Apr-Dec.)
Belgium . .	18	2,014	96	2,785	1,935	..
Italy . . .	343	2,496	..	141	3,441	55
Burma . . .	1,403	1,361	17	5,190	6,305	..
U.S.A. . . .	..	..	..	992	144	..
TOTAL (including others) . .	5,119	16,192	360	24,835	30,188	191

Unit : '000 gals.

Linseed oil.

	1951-52	1952-53	1953-54	1954-55	1955-56	1956 (Apr-Dec.)
U.K . . .	1,515	1,113	45	1,518	15,327	5,802
Pakistan . .	86	155	75	78	4	24
Australia . .	2,678	870	464	595	1,919	455
New Zealand. .	561	158	39	8	99	25
TOTAL (including others) . .	6,077	6,812	884	2,400	18,573	6,850

Pepper :

Unit : cwts.

	1951-52	1952-53	1953-54	1954-55	1955-56	1956 (Apr-Dec.)
U. K . . .	43,722	23,723	31,615	6,235	2,413	1,671
U.S.A. . . .	158,370	159,502	144,908	191,192	132,264	78,241
Canada . . .	11,609	11,736	12,506	16,701	13,194	8,868
Italy . . .	11,856	14,192	11,606	13,790	12,902	19,215
U.S.S.R. . .	23,100	7,000	19,000	13,500	79,000	..
China . . .	..	1,000	9,622	9,913	12,700	4,000
TOTAL (including others) . .	298,280	248,174	255,220	275,552	262,518	148,331

(*Source*: *D.G.C. I.&S.*)

STATEMENT 9-B.

EXPORTS OF PRINCIPAL COMMODITIES—VALUE DESTINATION-WISE

(By Sea, Air and Land)

(Value in Rs. lakhs)

Jute:

	1951-52	1952-53	1953-54	1954-55	1955-56	1956 (Apr-Dec.)
Gunny Bags.						
U.K.	1,083	253	243	314	248	152
Australia	2,600	948	597	1,106	1,120	713
New Zealand	411	132	73	161	182	138
Kenya	343	95	64	142	102	51
Burma	879	266	197	293	288	274
Indonesia	288	342	238	247	348	196
Thailand	784	249	219	136	196	51
China	529	29	12	148	188	69
Philippines	38	55	30	75	119	70
Nigeria	376	278	153	255	206	158
Egypt	236	176	23	301	329	278
Syria	45	41	83	189	83	47
Sudan	426	51	58	68	102	149
Cuba	1,126	747	405	456	423	451
Peru	205	175	128	97	135	112
TOTAL: (including others)	13,502	6,139	4,029	5,685	5,419	3,987
Gunny Cloth.						
U.K.	3,106	454	1,063	999	535	475
Australia	514	140	223	222	257	165
U.S.A.	5,264	3,660	2,563	2,760	2,887	2,345
Canada	657	441	439	481	502	392
Uruguay	213	132	119	145	146	146
Arjentina Republic	1,664	665	1,889	1,205	1,047	490
TOTAL (including others)	12,458	6,308	6,950	6,251	5,908	4,474
TOTAL OF JUTE	26,973	12,939	11,392	12,380	11,825	8,904
Tea:						
U.K.	6,097	5,520	7,293	10,182	7,395	7,518
Irish Republic	601	217	475	734	561	296
Australia	134	196	78	274	151	170
Kuwait	179	144	73	119	73	50
U.S.A.	631	586	721	1,038	678	562

Tea : contd.

(Value in lakhs of Rs.)

	1951-52	1952-53	1953-54	1954-55	1955-56	1956 (Apri.-Dec.)
Canada	431	425	473	739	472	508
W. Germany	61	57	98	105	124	180
Netherlands	122	124	132	151	104	85
Turkey	96	112	138	83	172	74
Egypt	71	224	216	341	412	484
Iran	371	33	46	429	397	196
TOTAL: (including others)	9,349	8,086	10,211	14,722	10,862	10,844

Raw Cotton :

	1951-52	1952-53	1953-54	1954-55	1955-56	1956 (Apri.-Dec.)
U.K.	163	98	89	138	408	36
Germany	9	106	53	49	72	6
Netherlands	64	93	70	47	82	7
Belgium	28	84	17	41	192	10
France	22	123	76	61	89	6
Italy	23	73	16	27	127	7
Japan	553	1,114	463	539	1,359	600
U.S.A.	471	162	126	87	37	3
TOTAL: (including others)	1,368	1,933	940	1,019	2,969	762

Cotton Waste:

	1951-52	1952-53	1953-54	1954-55	1955-56	1956 (Apri.-Dec.)
U.K.	184	275	267	177	234	106
W. Germany	10	69	92	85	77	47
Belgium	28	57	56	54	53	11
Japan	29	176	200	274	286	182
Australia	110	41	72	76	67	52
U.S.A.	86	116	97	103	89	41
TOTAL: (including others)	735	964	987	1,005	969	541

Mill-made piece-goods :

	1951-52	1952-53	1953-54	1954-55	1955-56	1956 (Apri.-Dec.)
U.K.	509	23	311	837	604	498
Aden	295	573	528	320	245	197
Kuwait	38	112	128	38	28	21
Afghanistan	230	302	220	176	90	51
Ceylon	110	198	183	194	189	156
Burma	153	746	599	230	88	68
Singapore	618	840	305	209	167	152
Nigeria	80	125	329	321	353	159
Rhodesia	28	59	104	101	58	50

(Value in lakhs of Rs.)

	1951-52	1952-53	1953-54	1954-55	1955-56	1956 (Apr.-Dec.)
Mill-made piece-goods: contd.						
Kenya . . . / Zanzibar . . . / Pemba . . .	169	301	273	261	240	237
Tanganyika . .	96	238	176	224	186	129
Sudan . . .	160	389	251	414	314	322
Ethiopia . .	82	3	158	251	215	163
Australia . .	386	80	439	393	394	287
Canada . . .	37	46	80	78	105	77
TOTAL: (including others)	4,255	5,333	5,355	5,493	4,817	3,658
Handloom:						
U.K. . . .	7	12	7	7	8	9
Aden . . .	49	48	52	52	38	25
Ceylon . . .	379	395	380	313	322	203
Singapore . .	54	80	40	67	56	39
Malaya . . .	118	59	86	76	111	87
Nigeria . . .	224	210	332	219	225	154
TOTAL: (including others)	917	879	990	823	846	614
Manganese ore:						
U.K. . . .	156	244	263	208	126	83
W. Germany . .	159	196	120	46	45	41
France . . .	59	70	80	72	135	68
Italy . . .	72	42	41	47	54	36
Japan . . .	177	68	143	59	121	147
U.S.A. . . .	857	1,432	1,648	789	406	271
TOTAL: (including others)	1,569	2,176	2,425	1,292	1,072	847
Iron ore:						
W. Germany . .	10	52	42	37	21	14
Belgium . . .	16	63	9	7	11	..
Czechoslovakia . .	8	75	237	115	90	163
Japan . . .	55	144	246	206	463	383
TOTAL: (including others)	100	371	582	421	627	664
Mica Blocks:						
U.K. . . .	160	110	69	94	91	60
W. Germany . .	17	9	25	20	39	38
Netherlands . .	15	14	16	24	13	16
France . . .	24	16	9	17	15	17
Japan . . .	14	31	28	16	31	36
U.S.A. . . .	167	199	249	147	237	151
TOTAL: (including others)	440	406	428	368	476	362

(Value in lakhs of Rs.)

	1951-52	1952-53	1953-54	1954-55	1955-56	1956 (Apr.-Dec.)
Mica Splittings:						
U.K. . . .	212	112	82	99	75	47
W. Germany . .	28	27	38	39	49	37
France . . .	30	24	18	17	21	15
Italy . . .	27	12	9	14	14	13
Japan . . .	17	33	36	11	22	33
U.S.A. . . .	474	240	137	66	124	93
TOTAL: (including others)	872	486	368	293	348	287
GRAND TOTAL .	1,321	901	800	672	837	657
Hides & Skins: *Raw Goat skins.*						
U.K. . . .	131	72	119	109	73	38
U.S.S.R. . .	..	..	..	120	128	123
W. Germany . .	36	48	77	59	40	33
Netherlands . .	21	6	31	24	6	..
Italy . . .	42	52	34	19	44	33
Czechoslovakia .	1	11	13	34	24	16
U.S.A. . . .	394	275	234	248	235	109
Australia . .	58	9	14	35	20	23
TOTAL: (including others)	697	478	542	658	583	380
Tanned Cow hides:						
U.K. . . .	963	641	775	634	678	426
U.S.A. . . .	33	20	27	7	1	..
TOTAL: (including others)	1,105	756	899	707	740	469
Skins, Tanned or Dressed: Goat skins:						
U.K. . . .	295	309	437	414	464	332
Netherlands . .	27	3	1	..	1	..
Belgium .	12	16	24	31	42	26
France . . .	54	54	53	54	72	60
U.S.A. . .	83	54	56	39	47	35
TOTAL: (including others)	510	486	654	613	758	536
Sheep skins:						
U.K. . . .	435	353	519	410	405	261
U.S.A. . . .	7	6	3	4	2	1
W. Germany . .	2	11	29	18	18	12
Japan . . .	45	113	124	87	96	135
TOTAL: (including others)	570	514	706	545	546	432
TOTAL of Hides and skins-tanned or dressed. . .	2,493	1,997	2,446	2,489	2,253	1,568

(Value in Lakhs of Rs.)

	1951-52	1952-53	1953-54	1954-55	1956-56	1956 (Apr.-Dec.)
Coir manufactured:						
Coir Yarn.						
U.K.	120	61	73	70	70	54
W. Germany . .	92	78	79	92	93	77
Netherlands . .	119	85	124	116	133	115
France . . .	44	32	36	36	39	41
Italy . . .	52	36	43	41	49	28
Burma . . .	22	38	23	28	27	29
U.S.A. . . .	46	28	18	18	23	28
TOTAL: (including others)	659	455	494	522	572	493
Coir Mats and Mattings:						
U.K. . . .	116	111	89	95	95	67
U.S.A. . . .	37	34	32	34	38	32
Australia . .	38	13	31	26	23	15
TOTAL: (including others)	253	203	206	216	221	161
GRAND TOTAL .	1,019	716	816	845	894	721
Lac:						
Button lac:						
U.K. . . .	22	8	9	14	15	10
U.S.A. . . .	31	7	6	7	11	7
TOTAL: (including others)	63	18	18	27	34	24
Seed: lac						
U.K. . .	27	16	22	41	26	16
U.S.A. . . .	171	267	194	2 46	270	119
TOTAL: (including others)	228	304	242	336	346	171
Shellac:						
U.K. . . .	300	98	107	131	155	112
U.S.S.R. . .	196	14	15	28	29	78
W. Germany . .	32	12	27	38	61	31
France . . .	27	17	17	23	29	16
Italy . . .	30	24	15	31	55	32
Hongkong . .	20	18	11	35	9	9
Japan . . .	5	25	20	15	23	10
U.S.A. . . .	282	95	77	101	128	71
Australia . .	32	12	20	17	27	14
TOTAL: (including others)	1,130	388	369	627	728	513
GRAND TOTAL .	1,484	761	677	1,055	11,73	746

(Value in lakhs of Rs.)

	1951-52	1952-53	1953-54	1954-55	1955-56	1956 (Apl.-Dec.)
Vegetable Oils: Essential:						
Lemon grass oil:						
U.K. . . .	32	11	11	35	27	24
U.S.A. . . .	63	10	12	46	47	42
Netherlands . .	13	3	6	12	9	7
France . . .	11	5	7	14	17	15
Switzerland . .	13	3	7	7	11	7
TOTAL: (including others)	149	39	54	133	134	112
Sandalwood oil:						
U. K. . . .	14	16	16	20	29	15
Sudan . . .	3	5	5	4	5	4
U.S.A. . . .	1	10	2	12	18	13
France . . .	5	5	12	13	23	17
Japan . . .	1	7	2	8	11	36
TOTAL: (including others)	33	50	56	72	102	71
Vegetables oils: non-essential: *Castor oil*.						
U.K. . . .	264	165	98	157	163	164
Sweden . .	7	10	4	8	7	9
U.S.A. . . .	107	501	167	152	194	283
Australia . .	68	18	23	17	20	21
TOTAL (including others)	657	772	316	353	412	531
Groundnut oil:						
U.K. . . .	24	128	..	64	23	..
Hongkong . .	13	129	3	55	55	..
Canada . . .	104	5	..	41	19	..
Netherlands . .	37	272	9	513	487	5
Belgium . .	2	129	6	140	91	..
Italy . . .	32	151	..	7	235	3
Burma . . .	119	85	1	268	350	..
U.S.A. . . .	..	..	..	55	7	..
TOTAL: (including others)	432	1,047	25	1,283	1,569	12
Linseed oil:						
U.K. . . .	141	79	3	69	771	402
Pakistan . .	8	13	5	5	..	2
Australia . .	255	55	27	28	93	29
New Zealand . .	40	11	2	..	6	2
TOTAL: (including others)	566	468	56	116	946	476
GRAND TOTAL (including other oils)	2,276	2,514	617	2,239	3,937	1,506

(Value in lakhs of Rs.)

	1951-52	1952-53	1953-54	1954-55	1955-56	1956 (Apr.-Dec.)
Oil seeds:						
Groundnuts:						
U.K.	12	8	12	31	114	1
Netherlands . .	1	27	13	15	17	..
Canada . . .	82	95	27	169	32	..
TOTAL: (including others)	235	140	63	254	265	2
Tobacco:						
Unmanufactured:						
U.K.	889	705	648	818	680	762
Netherlands . .	25	27	18	16	18	26
Belgium . .	8	15	20	11	18	22
Aden . . .	28	22	43	34	23	22
Indonesia . .	..	50	15	3	102	52
Japan . . .	18	181	159	46	31	8
China . . .	16	2	8	68	87	111
Egypt . . .	39	32	28	29	34	22
TOTAL: (including others)	1,412	1,303	1,102	1,176	1,065	1,084
Manufactured:						
Ceylon . . .	55	85	92	105	102	78
Singapore . .	21	2	2	2	3	3
Malaya . . .	18	4	3	3	3	1
TOTAL: (including others)	282	254	105	111	109	83
GRAND TOTAL of Tobacco	1,693	1,557	1,209	1,299	1,183	1,179
Cashew kernels:						
U.K.	203	279	199	103	121	131
U.S.A. . . .	646	955	815	887	1,035	842
Canada . . .	21	51	48	35	51	36
Australia . .	17	3	17	17	28	17
TOTAL: (including others)	905	1,298	1,093	1,070	1,292	1,187
Pepper						
U.K. .	349	140	142	14	4	2
U.S.A. . . .	1,221	1,062	745	473	231	105
Canada . . .	86	76	59	37	23	11
Italy . . .	95	89	59	37	26	27
U.S.S.R. . .	193	45	93	56	146	..
China . . .	2	6	53	31	24	6
TOTAL: (including others)	2,322	1,606	1,287	699	471	196

Source: D.G., C. I. & S.

APPENDIX A

Names of firms, persons, banks and other institutions from whom replies to the questionnaire were received.

Bombay

1. Indian Merchants' Chamber.
2. The All-India Manufacturers' Organization.
3. The Bombay Chamber of Commerce and Industry.
4. Film Federation of India.
5. The All-India Food Preservers' Association.
6. The Bharat Chamber of Commerce.
7. Bombay Type Foundry Owners' Association.
8. All-India Exporters' Association.
9. The Surat Chamber of Commerce, Surat.
10. Indian Lac Cess Committee.
11. Africa & Overseas Exporters' Chamber.
12. Gujerat Vyapari Mahamandal, Ahmedabad.
13. Maharashtra Chamber of Commerce.
14. Nasik District Potato & Onion Growers' Co-operative Association Ltd.
15. The Bombay Shroffs Association.
16. The Federation of Gujarat Mills & Industries, Baroda.
17. Indian Rubber Industries Association.
18. The Ahmedabad Millowners' Association.
19. The East India Cotton Association Ltd.
20. The Millowners' Association.
21. The Surat Weavers' Co-operative Society Ltd., Surat.
22. Bombay Piece-goods Merchants' Mahajan.
23. The Western India Minerals' Association.
24. The Bombay Oilseeds & Oil Exchange Ltd.
25. Indian Oil and Produce Exporters' Association.
26. The Bombay Oilseeds & Oils Exchange Ltd.
27. The Grain & Oilseeds Merchants' Association.
28. The Vanaspathi Manufacturers' Association of India.

29. Indian Soap & Toiletries Makers' Association.
30. All-India Cotton Waste Exporters' Association.
31. The Industrial Co-operative Association Ltd.
32. Shri Acharatal R. Shah (Mining Agent).
33. M/s. N. J. Karanjia & Sons.
34. Shri G. C. Bhagia.
35. Shri K. Balan.
36. International Traders (India), Importers & Exporters.
37. Nathan Steel Yard, Stockists, Importers and Exporters of Steel Material & Scrap.
38. Shri Sankalchand G. Shah.
39. The Bombay Genuine Pearls Dealers' Association.
40. Traders United.
41. M/s. Godrej & Boyce Manufacturing Co. (P) Ltd.
42. Air Conditioning Corporation Private Ltd.
43. M/s. Valli H. Barolia.
44. M/s. Joshi Esquire, Universal Trading Agencies.
45. Shri Bensilal Chotalal.
46. The National Rayon Corporation Ltd.
47. M/s. S. Mansukhlal & Co.
48. Shri Khubachand Popli.
49. Shri Vishnu Wasudeo Bhat.
50. Shri S. K. Govande.
51. Shri Keshavlal Talakchand.
52. M/s. Rajnikant & Co.
53. Shri Ramchand Khanna.
54. M/s. Ardeshir Jamshedji & Co.
55. Solvent Oil Extractors' Association.
56. M/s. Premji Bhanji & Co.
57. Shri Kanji Moorarji.
58. Central Organisation for Oil Industry & Trade.
59. M/s. Olchand Kashiram & Co. (Oil, Seeds, Grains etc.),
60. Shri Gokulchandra Goil.
61. Kamesh Jwellers.
62. General Superintendence Co. (India) Private Ltd.
63. Shri Changdeo Sugar Mills Ltd.
64. The Indian Council of Foreign Trade.

65. Shri Neville N. Wadia.
66. Shivprakash Janakraj & Company.

Delhi

1. Federation of Indian Chambers of Commerce and Industry.
2. Dr. Lal C. Verman.
3. M/s. Bird & Co. (P) Ltd.
4. The State Trading Corporation of India (P) Ltd.
5. Federation of Biscuit Manufacturers of India.
6. Textile Business Magazine.
7. Mrs. Raksha Saran.
8. Arjan Dass Gupta & Bros.
9. Shri K. K. A. Raman.
10. Indian Co-operative Union.

Jammu & Kashmir

1. M/s. H. S. Bakshi & Sons.

Kerala

1. The Cochin Chamber of Commerce, Cochin.
2. The Coir Board, Ernakulam.
3. The Alleppy Chamber of Commerce.
4. Kerala Cashew Manufacturers' Association, Cochin.
5. The Tobacco & Beedi Leaves Merchants' Association, Cochin.
6. The Cochin Coir Merchants' Association.
7. Calicut Chamber of Commerce.
8. The Indian Chamber of Commerce, Cochin.
9. Southern Fisheries Corporation, Ernakulam.
10. The Travancore Coir Mats & Matting Manufacturers' Association, Alleppy.
11. Shri S. Mohandas, Main Road, Trivandrum.
12. Sai Arts & Industries, Trivandrum.

Madras & Andhra

1. The Southern India Chamber of Commerce.
2. The Andhra Chamber of Commerce.
3. The Tamil Chamber of Commerce, Madras.
4. Madras Chamber of Commerce, Madras.
5. Hindustan Chamber of Commerce, Madras.

6. The Madras Piece-goods Merchants' Association, Madras.
7. The Coimbatore Chamber of Commerce, Coimbatore.
8. The Southern India Millowners' Association, Coimbatore.
9. The Tamilnad Foodgrains Merchants' Association, Ltd., Madurai.
10. The United Planters' Association of Southern India.
11. The Dindigul Export & Import Current Chamber of new-comers.
12. Madras Provincial Handloom Cloth Merchants' Association
13. Madras Oil and Seeds Association.
14. The Indian Chamber of Commerce, Guntur.
15. Hides and Skins (Goat skins) Association, Madras.
16. The South India Tanners & Dealers Association, Ranipet.
17. Shri V. C. Sreeramalu Chetty, Madras.
18. The East Asiatic Co. (India) Private Ltd., Madras
19. Rallis India Limited, Madras.
20. Shri H. R. Raja, Chairman, Indian Oil & Produce Exporters' Association.
21. M/s. Addisons Paints & Chemicals (P) Ltd., Madras.
22. Amichund Doss Dwaraka Doss, Madras.
23. The Buckingham & Carnatic Co. Ltd.
24. Shri Vaidhyanathan "Julia", Sivakasi.
25. Jeewanlal (1929) Ltd., Madras.
26. Trichi Shroff & Jewellers' Association, Tiruchirapalli.
27. Shri Z. R. Irani, Madras.
28. Anglo-French Textiles Ltd., Pondicherry.
29. The Virudhungar Chamber of Commerce Ltd.
30. Tuticorin Chamber of Commerce.
31. Kohinoor Leather Products, Ilayangudi.
33. Southern India Wool & Goat-hair Merchants' Association.
34. Dr. M. S. Patel, Indian Central Tobacco Committee.
35. Manohar and Sons, Narsapet.

Mysore

1. Indian Telephone Industries Private Ltd.
2. Karnatak Chamber of Commerce, Hubli.

3. The Chief Coffee Marketing Officer, Coffee Board, Bangalore.
4. Western India Tile Manufacturers' Association.

Punjab

1. Punjab Trade Guide, Ambala.
2. Executive Secretary, Northern India Publications, Ambala.
3. Krishna Kapur & Co., Amritsar.

Uttar Pradesh

1. Upper India Chamber of Commerce, Kanpur.
2. Swadeshi Cotton Mills Co. Ltd., Kanpur.
3. Shri Raman Lal Agarwal, Banaras Hindu University.
4. Shri Bal Govind Prasad, Varanasi.
5. Shri Harchandrai Champalal Jain, Agra.
6. National Import Export Co., Meerut.
7. Shri Dharam Singh Bhatia, Modinagar.

West Bengal

1. All-India Small-Scale Battery Makers' Association.
2. Indian Non-Ferrous Metals Manufacturers' Association.
3. The Indian Jute Mills Association.
4. The Calcutta Jute Fabrics Shippers' Association.
5. The Indian Soap and Toileteries Makers' Association.
6. The Bengal National Chamber of Commerce & Industry.
7. The Calcutta Shellac Traders' Association.
8. Bharat Chamber of Commerce.
9. Indian Chamber of Commerce.
10. Indian Engineering Association.
11. Bengal Sugar Merchants' Association.
12. The Indian Chemical Manufacturers' Association.
13. Clarion Advertising Services (P) Ltd.
14. The Bengal Chamber of Commerce & Industry.
15. Merchants Chamber of Commerce.
16. Calcutta Tea Merchants' Association.
17. Indian Tea Association.
18. Calcutta Tea Traders' Association.
19. The Indian Iron & Steel Co. Ltd.

20. The Indian Mining Federation.
21. Utkal Mining and Industrial Association.
22. M/s. Khaitan Sons & Co.
23. Jeewanlal (1929) Ltd.
24. M/s. P. T. Ray & Co.
25. Shri Meghraj Sampatlall.
26. Shri S. C. Bose.
27. M/s. N. T. Kothari & Co., Surveyors & Assessors.
28. M/s. Modi & Company.
29. Shri D. N. Kakkar (representing the Indian Coal Merchants' Association), Jharia.
30. Tea Board, Calcutta.
31. Indian Confectionary Manufacturers' Association.
32. The Indian Mining Association.
33. Tea Association of India.
34. Indian Tea Planters' Association.
35. Paint Federation.
36. Commissioners of the Port Trust.
37. Shri M. P. Kaseria.
38. Indian Sugar Mills' Association.

Replies from the offices of the Central and State Governments and other Semi-Government and Statutory Organisations.

Ministries of the Government of India

1. Ministry of Commerce & Industry, New Delhi.
2. Ministry of Production, New Delhi.
3. Ministry of Finance (Department of Revenue), New Delhi.
4. Ministry of Food & Agriculture, Directorate of Marketing & Inspection, New Delhi.
5. Ministry of Steel, Mines & Fuel, New Delhi.
6. Ministry of Natural Resources & Scientific Research, New Delhi.
7. Ministry of Transport (Transport Wing), New Delhi.
8. Planning Commission, New Delhi.
9. Ministry of Information & Broadcasting, New Delhi.

Other Offices of the Government of India

1. Office of the Salt Commissioner, New Delhi.
2. Director-General of Ordnance Factories, Ministry of Defence, New Delhi.
3. Council of Scientific & Industrial Research, Old Mill Road, New Delhi.
4. Shri V. M. Srikumaran Nayar, Export Promotion Wing. Ministry of Commerce & Industry, New Delhi.
5. Dr. N. K. Panikkar, Fisheries Development Adviser to the Government of India, New Delhi.
6. The General Managers, Western and Southern Railways.
7. Development Wing, Ministry of Commerce & Industry, New Delhi.
8. The Textile Commissioner to the Government of India, Bombay.
9. The Deputy Chief Controller of Imports & Exports, Cochin.
10. Department of Commercial Intelligence & Statistics, Calcutta.
11. The Agricultural Marketing Adviser to the Government of India, New Delhi.
12. The Forward Markets Commission, Government of India, Bombay.
13. The Chairmen, Port Trusts of Bombay, Madras & Calcutta.
14. The Administrative Officer, Port of Cochin, Cochin.
15. The Director-General of Shipping, Bombay.
16. The National Small Industries Corporation (Private) Ltd., New Delhi.
17. The General Manager, Central Railway, Bombay.
18. The Indian Central Coconut Committee, Ernakulam.

State Government Offices

1. Office of the Director of Agriculture, State of Bombay, Poona.
2. Shri B. G. Ghate, Deputy Secretary to Government, Industries & Cooperation Department, Bombay.
3. The Marketing Officer, Government of Punjab.
4. Department of Industries, Labour and Cooperation, Madras.
5. Department of Industries & Commerce, Calcutta.
6. The Registrar of Co-operative Societies, Mysore, Bangalore.

7. The Director of Industries & Commerce, Bangalore.
8. Government of Bihar (Supply & Commerce Department).

Export Promotion Councils, etc.

1. The Engineering Export Promotion Council, Calcutta.
2. The Silk & Rayon Textiles Export Promotion Council, Bombay.
3. The Cotton Textiles Export Promotion Council, Bombay.
4. The Cashew & Pepper Export Promotion Council, Cochin.
5. Shri T. M. Rangachari, Vice-Chairman, Tobacco Export Promotion Council, Madras.
6. The Indian Central Cotton Committee (Ministry of Agriculture), Bombay.
7. The Plastics Export Promotion Council, Bombay.
8. The Leather Export Promotion Council, Madras.
9. The Mica Export Promotion Council, Calcutta.
10. Office of the Agricultural Produce Market Committee.
11. The Indian Tobacco Committee.
12. All India Handloom Board.
13. North Eastern Railway.

Replies from Banks and Insurance Companies, etc.

1. The Indian Banks Association, Bombay.
2. The State Bank of India, Bombay & Calcutta.
3. The Chartered Bank, Calcutta.
4. The United Bank of India, Calcutta.
5. The Indian Insurance Companies' Association, Bombay.
6. The Bombay Exchange Banks' Association, Bombay.
7. The Indian National Steamship Owners' Association, Bombay.
8. The Scindia Steam Navigation Co. Ltd., Bombay.
9. Malabar Steamship Co., Bombay.

Financial Corporations, etc.

1. The Bombay State Financial Corporation.
2. The West Bengal State Financial Corporation.
3. The Punjab State Financial Corporation.
4. The State Industrial Co-operative Association Limited.

Overseas

1. High Commission for India in Ceylon, Colombo.
2. The Indian Merchantile Chamber of Ceylon, Colombo.
3. Embassy of India, The Hague.
4. Embassy of India, Baghdad.
5. Embassy of India, Addis Ababa.
6. Embassy of India in China, Peking.
7. Consulate of India, Hamburg.
8. Indian Embassy, Stockholm.
9. Office of the Political Officer, Sikkim.
10. Indian Embassy in Japan, Tokyo.
11. Embassy of India, Rangoon.
12. Office of the High Commissioner for India, Commerce Department. London W. 1.
13. Office of the Commissioner for the Government of India, Mauritius.
14. Embassy of India, Paris.
15. Embassy of India, Stockholm.
16. Embassy of India, Bonn.
17. Indian Embassy, Kabul.
18. Indian High Commission, Karachi.
19. Counsulate-General of India, Geneva.
20. Legation of India, Manila.
21. Indian Chamber of Commerce in Great Britain, London.
22. The United Nations Economic Commission for Asia and the Far East, Bangkok.
23. M/s. Fuerst & Co., Ltd., London.

APPENDIX B

List of persons who gave oral evidence before the Export Promotion Committee

Bombay

1. Shri V. Nanjappa, I.C.S., Textile Commissioner, Bombay.
2. Shri R. N. Philips, Joint Chief Controller of Imports and Exports.
3. Members of the Silk & Rayon Export Promotion Council:
   Shri D. N. Shroff, Shri R. K. Ram and eleven others.
4. Members of the Cotton Textile Export Promotion Council:
   Shri Neville N. Wadia
   Shri Shroff
   Shri Saran
   Shri V. Nanjappa
   Shri Nagarseth
   Shri Sethi.
5. The Maharashtra Chamber of Commerce:
   Shri B. D. Charware
   Shri Bharat G. Joshi
   Shri B. M. Gogte
   Shri R. G. Mohadikar.
6. The Bombay Chamber of Commerce:
   Shri K. M. Rathbone
   Shri B. Barker
   Shri K. V. Narayana Murthy
   Shri S. H. Captain
   Shri A. W. Pinto.
7. Indian Insurance Companies Assocnation:
   Shri D. K. Shah
   Shri R. M. Desai
   Shri Telang
   Shri Majumdar.
8. Representatives from the State Bank of India.

9. The Ahmedabad Millowners' Association:

Shri Arvind Narottam
Shri Seth Jayantilal Amrit.

10. Surat Chamber of Commerce:

Shri Alibhai Tajbhai Kinhabwala
Shri R. T. Popawala
Shri K. C. Kapadia
Shri J. G. Vakharia
Shri D. B. Patel.

11. Western India Mineral Association:

Shri Amirchand T. Gupta
Shri D. M. Bhat
Shri Jagdish Sethi.

12. Reserve Bank of India:

Shri V. G. Pendharkar.

13. Indian Banks' Association:

Shri Choksi
Shri Kansara
Shri S. L. Kothari
Shri Panandikar.

14. Western Railway:

Shri M. Ganapathi
Shri H. R. Khanna.

15. Bombay Oil and Seed Exchange:

Shri J. S. Badami
Shri A. K. Mohan
Shri Mangulal Trikanlal
Shri C. Govardhandas
Shri B. R. Chinai
Shri A. B. Mango
Shri Chaganlal Velji.

16. Garment Manufacturers' Association of India:

Shri Wadvani
Shri E. Stimmetz
Shri Amersey
Shri Rajpai Puri.

17. All India Fruit Preservers' Association
    Shri N. S. Pochkhanawala
    Shri L. J. D'Souza.

18. Collector of Central Excise, Bombay:
    Shri Seth
    Shri Saravane, Asst. Collector.

19. Reserve Bank of India:
    Shri V. G. Pendharkar
    Shri T. S. K. Chari.

20. All India Exporters' Association:
    Shri Chinoobhai C. Jhaveri
    Shri N. H. Kotak
    Shri Naranji L. Kara
    Shri Sukalchand G. Sha
    Shri K. B. Sheth
    Shri R. M. Shah
    Shri Harilal A. Barucha.

21. Indian National Steamship Owners' Association:
    Shri Pratap Singh Vallabhdas
    Shri S. N. Haji
    Shri K. M. Sheth
    Shri P. T. Dalal
    Shri S. K. Aiyer.

22. The Plastics Export Promotion Council:
    Shri M. K. Ramchandani
    Shri T. W. Bhojwani
    Shri B. D. Garware
    Shri R. M. Jhaveri
    Shri I. Fonceca
    Shri D. S. Swaminathan.

23. Nathan Steel Yard:
    Shri S. A. Nathani
    Shri Elijah
    Shri Chinai
    Shri Iyer.

24. Africa & Overseas Exporters' Chamber:

Shri Shantilal Ujanshi Bhai Shroff
Shri Babubhai Chagulal Shroff
Shri Maganlal Nanji Bhai Savane
Shri Suryakant Vakil
Shri Nyalchand R. Shah
Shri Kantilal Keshavalal
Shri Mansukhlal D. Vora
Shri Rupani.

24. Port Trust Bombay:

Shri L. T. Gholap
Shri V. Vas
Shri J. N. Adaggara.

26. Chief Commercial Supdt. Central Railway:

Shri R. K. Bokil.

27. Shri A. D. Gorwala

28. The Collector of Customs, Bombay:

Shri M. G. Abrol.

29. The Engineering Association of India:

Shri M. G. Vora
Shri Premlal Patel
Shri V. S. Nayar
Shri Sankal Chand G. Shah
Shri P. C. George
Shri A. P. Bhatt
Shri Bharat G. Joshi
Shri I. D. Gandhi
Shri S. K. Shah.

30. General Superintendence Co. (India) Private Ltd.:

Shri Colin M. Newman.

31. All India Wool & Goat-hair Exporters' Association:

Shri Dharamdev
Shri H. S. Rajani
Shri V. R. Rajani
Shri V. K. Dave

Shri Hiralal Kothari
Shri Parmanand
Shri Rupchand P. Surana.

32. Cotton Waste Association:
Shri P. Strimpel
Shri G. Marsden
Shri R. N. Jani
Shri H. B. Barot
Shri G. M. Vyas
Shri D. N. Mehta.

33. All India Manufacturers' Organisation:
Shri R. Chaturvedi
Shri S. N. Haji
Shri F. R. Moos
Shri M. L. Taman
Shri Sankolchand G. Shah
Shri B. D. Toshinwal
Shri P. L. Badani
Shri N. K. Patel.

34. Representatives from the Indian Oil and Produce Exporters' Association.

Calcutta

35. Bengal Sugar Merchants' Association:
Shri B. L. Newar
Shri M. B. Khaitan
Shri P. D. Dharbriwala.

36. Calcutta Tea Merchants' Association:
Shri M. K. Sinha
Shri K. Ghosh
Shri A. S. Dolakia
Shri U. K. Patel
Shri C. G. Chandrashekar
Shri A. V. Jagannath.

37. Iron and Metal Industries' Association:
    Shri S. C. Lal
    Shri A. C. Gupta
    Shri Guha Thakurta.

38. Indian Sugar Mills' Association:
    Shri K. K. Birla
    Shri S. S. Kanoria
    Shri J. S. Mehta.

39. Port Commissioner, Calcutta:
    Shri R. K. Mithra
    Shri L. M. Hogan.

40. Utkal Mining & Industrial Association:
    Shri S. C. Bose
    Shri B. Bhargava
    Shri H. K. Guha.

41. Indian Coal Merchants' Association:
    Shri D. N. Kakar.

42. General Manager Eastern Railway:
    Shri Sarangapani.

43. General Manager South Eastern Railway:
    Shri Basu.

44. Representatives from the Raw Hides & Skins Association.

45. Engineering Export Promotion Council:
    Shri G. D. Zainal Abdin
    Shri G. Mc. Hardy
    Shri K. L. Choudhury
    Shri I. C. Gupta
    Shri A. P. Mathur
    Shri M. L. Shah
    Shri R. D. Trivedi
    Shri R. K. Singh.

46. Indian Chamber of Commerce:
    Shri B. P. S. Roy
    Shri M. L. Shah
    Shri N. L. Kanoria.

47. Bharat Chamber of Commerce:
    Shri K. L. Dhandha
    Shri H. S. Singhania
    Shri H. M. Bhuwalka
    Shri M. K. Mookherjee
    Shri A. L. Aggarwal
    Shri P. L. Rajgarhia
    Shri B. K. Swaika
    Shri M. R. Jalan
    Shri L. R. Das Gupta.

48. Indian Engineering Association:
    Shri J. E. Bingham
    Shri G. Isaac
    Shri J. M. Sweet
    Shri H. M. L. Williams
    Shri R. M. MacDonald.

49. Oriental Chamber of Commerce:
    Shri C. A. Dossani
    Shri Abdul Karim Noor Mohamed
    Shri Kassim A. Mohamed
    Shri Mohamed Yusuf
    Shri M. S. Vawda
    Shri N. N. Chandra.

50. Bengal Chamber of Commerce & Industry:
    Shri Michelmore
    Shri D. F. McMillan
    Shri T. R. Crook.

51. Calcutta Hides and Skins Shippers' Association:
    Shri G. W. R. Fitzan
    Shri G. McHardy.

52. Indian Mining Federation:
    Shri Indra Mohan Thapar
    Shri J. N. Mukerjee.

53. Indian Union Minerals Association:
    Shri S. L. Vohra

Shri A. P. Mathur
Shri C. M. Rajgarhia
Shri A. G. Jhingran
Shri P. B. Banerjee

54. Calcutta Jute Fabrics Shippers' Association:
Shri Alexion
Shri Mains
Shri Jalan
Shri Mains.

55. Tea Board:
Shri Ghoshal.

56. Representatives from the Indian Jute Mills Association.
Shri D. P. Goenka and three others.

57. Hindustan General Electric Corporation Ltd.
Shri J. Ghosal
Shri P. Poddar
Shri R. Krishnan
Shri K. K. Rohatgi
Shri N. R. Banerjee
Shri D. K. Sinha
Shri N. N. Bagchi.

58. Electrical Storage Ltd.
Shri M. L. Deb.

59. Finished Leather Exporters' Association.
Shri J. H. Wu.

60. Indian Soap and Toiletries Association.
Shri S. C. Ghosh
Shri S. S. Swaika
Shri N. N. Chandra
Shri J. Das Gupta.

61. Joint Chief Controller of Imports and Exports:
Shri A. P. Mathur.

62. Bengal National Chamber of Commerce and Industry:
Shri S. C. Gupta
Shri S. C. Nawa

Shri H. N. Basu

Shri J. C. Bhattacharjee

Shri T. C. Basu

Shri K. L. Sarda

Shri N. N. Chandra

Shri S. K. Chakraborty

Shri D. K. Nag

Shri A. R. D. Gupta.

63. Representatives from The Reptile Leather Association.

64. The Chief Minister, Government of West Bengal:

Dr. B. C. Roy.

65. Wild Life Preservation Society:

Shri Acharya.

66. The Calcutta Shellac Traders' Organisation:

Shri Arrutoon

Shri M. Russell

Shri McDonald

Shri G. S. Jayaswal

Shri S. K. Banik.

67. Paint Federation:

Shri R. G. Goel

Shri P. W. Archand

Shri G. V. Dorsey

Shri McHardy.

68. Clarion Advertising Company:

Shri Mukherjee.

69. Director General of Commercial Intelligence and Statistics:

Shri C. R. B. Menon.

Madras

70. Madras Port Trust:

Shri G. Venkateswara Iyer, *Chairman.*

Shri Jayawant, Traffic Manager.

71. The Director of Industries and Labour.

72. Andhra Chamber of Commerce:

Shri Venugopal
Shri Sambasivam
Shri Sriramulu Chetty
Shri Somayajulu
Shri Ramalinga Reddy.

73. Hindustan Chamber of Commerce:

Shri G. R. Rao
Shri Nathan
Shri C. P. Khemka
Shri Sharma
Shri Mohanlal D. Tolia.

74. Madras Oils and Oilseeds Association:

Shri B. Ayaswami Mudaliar
Shri K. C. Varadhachariar
Shri S. K. Nenatia
Shri S. Poddar
Shri Ramabrahamam
Shri K. S. Swaminathan
Shri P. Krishniah
Shri V. S. Krishnamurthi.

75. South India Chamber of Commerce:

Shri Subramaniam.

76. Tamil Chamber of Commerce:

Shri V. S. L. Nathan
Shri Doraivelu.

77. Madras Chamber of Commerce.

Shri A. N. Sattanathan
Shri Mohideen
Shri R. Mclellan
Shri Z. G. Gavalla.

78. Southern India Chamber of Commerce.

Shri K. S. G. Haja Shareef
Shri K. A. Menon
Shri D. Srinivasan

Shri Kasi Viswanathan
Shri M. M. Muthiah
Shri Sitharaman
Shri T. K. Singaram
Shri Sangha Rajka
Shri Balasubramanian
Shri A. Nagappa Chettiar
Shri Aziz.

79. Southern India Mill Owners' Association, Coimbatore:
Shri G. D. Naidu.

80. Tobacco Export Promotion Council:
Shri R. K. Rangan
Shri T. M. Rangachari.

81. South India Skin and Hide Merchants' Association and Leather Export Promotion Council:
Shri R. K. Rangan
Shri Y. Nayudamma
Shri G. S. Srinivasa Iyer
Shri A. Nagappa Chettiar
Shri T. Abdul Wahid Sahib
Shri J. K. Sankar
Shri B. V. D. Narayana Rao
Shri Haji M. J. Jamaludeen Sahib.

82. South India Wool and Goat Hair Merchants' Association:
Shri G. Thambu Swami
Shri B. G. Chithibalm
Shri O. G. Rowland Jones
Shri K. Raja Raman
Shri T. S. Kumaraswami Mudaliar
Shri M. Murir Akram.

83. M/s. United Planters' Association, Coonoor:
Shri P. S. Subramanian.

84. Madras Provincial Handloom Cloth Merchants' Association:
Shri M. S. Majid
Shri S. Hussain
Shri M. S. A. Rahim

Shri N. V. R. Sowrirajan
Shri M. Kothandapani
Shri K. M. Narasimhan
Shri V. C. Sriramulu Chetty.

85. South India Minerals' Association:
Shri Laxmi Narayanan.

86. T. I. Cycles (India) Ltd.:
Shri Forsyth
Shri N. K. Iyer.

87. Best and Company:
Shri R. M. King.

88. Tamil Nad Foreign Traders' Association:
Shri S. Venkata Krishnan.

89. General Manager Southern Railway:
Shri T. A. Joseph.

90. Shri V. Ramakrishna.

91. Collector of Customs:
Shri D. N. Mehta.

92. Sales Tax Commissioner:
Shri Sheriff.

93. Handkerchieves Association:
Shri K. Khalashni
Shri B. Malliah
Shri B. Ramaiah
Shri N. Ramalingam
Shri G. Doraiswamy Chetty
Shri P. Subramanian.

94. Damodar Envelope Factory:
Shri Chagan Lal
Shri Shunni Lal.

Cochin

95. Cochin Chamber of Commerce:
Shri W. E. Northey
Shri V. N. Sundaresan.

96. Coir Board:
    Shri T. M. B. Nedungadi
    Shri Krishna Iyer.
97. Kerala Cashew Manufacturers' Association:
    Shri K. T. Ramanathan Chettiar
    Shri Ganesh Nayak
    Shri Kurt.
98. South India Cashew Manufacturers' Association:
    Shri P. G. Varughese
    Shri T. N. Pillai.
99. Administrative Officer Port of Cochin:
    Shri M. S. Venkataraman.
100. Malabar Chamber of Commerce:
    Shri C. P. Kunhamed
    Shri K. V. Thomas.
101. Matting and Coir Association:
    Shri S. Narayanaswamy
    Shri Revi Karunakaran
    Shri R. Krishna Iyer
    Shri R. A. Coulden.
102. Cashew and Pepper Export Promotion Council:
    Shri K. J. Thomas
    Shri Pillai.
103. Indian Pepper and Spice Trade Association:
    Shri V. M. Patel
    Shri V. J. Josheph.
104. Indian Chamber of Commerce:
    Shri P. Achutan Pillai
    Shri L. M. Kilikar
    Shri S. Krishna Warrier
    Shri V. V. Job.
105. Southern Fisheries Corporation:
    Shri Alexander C. Cherian.
106. North Travancore Chamber of Commerce:
    Shri Abdulla.

Delhi

107. German Trade Delegation.

108. Fisheries Development Adviser to The Government of India:
Dr. Panikker.

109. All India Handloom Board.
Mrs. Jayakar
Shri S. Padmanabhan
Shri Nachumuthu Pillai
Shri Sabhanayakam.

110. Federation of Indian Chambers' of Commerce and Industry.
Shri Babu Bhai Chinai
Shri S. D. Somani
Shri S. P. Jain
Shri Bansal
Dr. Aggarwal.

111. Shri Kalemkar.

112. State Trading Corporation of India (Private) Ltd.:
Shri D. Sandilya.

113. Asst. Animal Husbandry Commissioner with The Government of India.:
Shri R. W. Mohan.

114. National Council of Applied Economic Research:
Dr. P. S. Lokanathan.

115. Central Board of Revenue:
Shri B. N. Banerjee (Excise)
Shri Saldhana (Customs)
Shri Das Gupta (Income-tax)
Shri Subramaniam (Income-tax)
Shri Subramaniam (Income-tax)

116. Deputy Inspector General of Forests:
Shri C. R. Bhadran.

APPENDIX C

MINISTRY OF COMMERCE AND CONSUMER INDUSTRIES

(EXPORT PROMOTION COMMITTEE)

No. EPC/MSV/1 New Delhi,

Dated, 4th March, 1957.

To

Dear Sirs,

As you are aware, the Government of India in the Ministry of Commerce and Consumer Industries have, by a Resolution published on the 18th February 1957, appointed an Export Promotion Committee to recommend measures which will help in stepping up exports of goods and services from India to countries abroad. A copy of this Resolution setting out the terms of reference of the Committee is enclosed herewith, for your information.

2. I am to request you to offer your considered views on the principal questions which the Committee will have to study as set out in the attached Resolution, and to communicate your views in the matter in the form of a Memorandum or note to the Member-Secretary, Export Promotion Committee, Ministry of Commerce and Consumer Industries, New Delhi. The Committee's work will be greately facilitated if it would be possible for you to send in your views as early as possible but not later than the 7th April, 1957 to enable the Committee to submit its report to Government before the end of June, 1957, as required. In order to obviate the delays involved in re-typing, cyclostyling, etc. in the office of the Committee it will be greately appreciated, if ten typed copies of your memoranda/notes could be sent to the undersigned.

3. On a preliminary consideration of the question of export promotion as a whole, the Committee considers that it would be useful to bestow thought on a number of problems not merely pertaining to policy but also to administration and procedure. Attached to this letter, therefore, is a questionnaire listing out some of the points which have occurred to the Committee. While framing your own proposals on how exports can be stepped up, you might find it useful to take these points into account.

4. It is emphasised that these points are by no means exhaustive. your Association, by virtue of the special experience it has acquired

in respect of particular commodities and in the working of export procedures, etc., can make a very useful contribution to devising measures for stepping up India's exports. The Committee would, therefore, like you to feel free to comment on any aspect of export promotion on which you might have a view, and to co-operate with the Committee in placing at its disposal your experience in tackling the problems confronting India's exports today.

Thanking you,

Yours faithfully,

S. JAGANNARAYANAN,

for Member-Secretary.

Government of India

MINISTRY OF COMMERCE & CONSUMER INDUSTRIES

RESOLUTION

New Delhi, the 18th February, 1957

No. 38-EP(1)/57.—The Government of India have had under examination for sometimes the measures to be taken for bridging the gap between the foreign exchange resources which now appear likely to be available and the resources actually required for the successful implementation of the Second Five Year Plan. Government are convinced that an effective contribution in this regard can be made by increasing exports. Accordingly, they have been taking all possible measures for stimulating trade; but *ad hoc* export promotion measures are not adequate to secure the required increase in trade. Government of India have, therefore, decided to set up a Committee to make a comprehensive study of all aspects of trade promotion and to make recommendations to Government with particular reference to the following:—

(1) The nature of fiscal or other concessions that could reasonably be granted for stimulating exports and the procedure for giving this assistance;

(2) The nature and extent of credit facilities required for export trade and the manner in which these facilities should be provided;

(3) The lines on which special agencies such as Export Promotion Councils, Commodity boards etc., should be developed to become effective instruments for export promotion;

(4) The assistance required for expeditious movement for export both by rail and sea;

(5) Simplification of commercial transactions by provision of facilities for;

(i) the settlement of trade disputes:

(ii) conduct of pre-shipment survey;

(iii) quality control for the maintenance of quality standards in export goods.

(6) Nature of propaganda to be conducted in foreign markets and the need for development of marketing agencies abroad;

(7) The adequacy of the service rendered at present by agencies like the Director General of Commercial Intelligence and Statistics, the Trade Commissioners' Organisations etc., for promoting trade;

(8) Any other matters relevant to the main object of export promotion.

2. The Committee will consist of:

(1) Shri V. L. D'Souza—*Chairman.*

Members

(2) Shri T. C. Kapur.

(3) Shri Karam Chand Thapar.

(4) Shri G. B. Kotak.

(5) Shri R. M. Gandhi.

(6) Shri Nazir Hussain.

(7) Shri P. Chentsal Rao.

(8) Member-Secretary (to be appointed).

3. The Committee may co-opt with the approval of the Government of India, such additional members and for such purpose, as may be found necessary from time to time.

4. The Committee is required to undertake the necessary investigation and to make its recommendations to the Government of India by the 30th June, 1957.

5. The Headquarters of the Committee will be in Delhi but the Committee may visit such places as it may consider necessary for the purpose of its enquiry.

6. The Government of India trust that Associations, Chambers of Commerce and firms, etc., will afford the Committee all the assistance that it may need and will comply with any request for information that may be made.

ORDER

Ordered that a copy of this Resolution be communicated to the Chairman, Members of the Committee, the Private and Military Secretaries to the President, the Prime Minister's Secretariat, the Cabinet Secretariat, the Planning Commission, the Ministries of the Government of India and all the States Governments in India.

Ordered also that the Resolution be published in the *Gazette of India* for general information.

(Sd.) K. B. LALL,

Joint Secretary to the Government of India.

QUESTIONNAIRE ISSUED BY THE EXPORT PROMOTION COMMITTEE, 1957

There are numerous factors from the stage of production or manufacture to the actual point of export which have some bearing or other on the export of a particular commodity. No attempt is made in the following questions to deal with all of them exhaustively. An illustrative selection of some points relating to export promotion has been made and set out below:—

1. *General:*

(a) Would you consider that it would be better to deal with the problem of export promotion both from short and long term points of view? In the short run what are the steps that are necessary to be taken by Government, Industry and Trade to step up exports?

What are the specific commodities the export of which can be augmented/developed immediately and to what extent?

What are the measures required to be taken to provide a strong basis for maintaining and increasing exports so essential for the successful implementation of the Second Five Year Plan and subsequent Development Plans?

(b) What difficulties do Indian exports encounter in foreign markets? What suggestions have you to make for increasing the competitive strength of these exports in terms of price, quality, etc.?

(c) Are the arrangements for acquainting the foreign buyers of Indian commodities in respect of their uses and quality adequate? If not, what measures would you suggest to make them more effective?

(d) What measures should be adopted to increase the production of raw materials which could be processed and/or turned into manufactured goods for export?

(e) What scope is there for the promotion of exports in respect of commodities which have not entered into the foreign trade of the country? Please give concrete instances of the commodities and the markets where they can be placed.

(f) What are the possibilities for developing India's (1) entrepot trade, (2) re-export trade and (3) external trade, *i.e.*, merchandise operations conducted by merchants in India buying goods from one country and selling them to another outside India?

2. *Export Policy and Procedure:*

(a) What are your comments on the operation of the Quota System in the export trade of India with special reference to the commodities in which the system prevails and its bearing on the volume of exports?

(b) In view of the need to augment foreign exchange earnings, would it be advisable to release or increase the quotas for export of all exportable commodities even though it might cause some scarcity in the supplies available for internal consumption? If quotas are to be released or increased, what measures, in your opinion, should be taken to protect the Indian consumer?

(c) Have you any suggestions to make towards the improvement of the Export Duty System?

3. *Assistance to Exports:*

(a) Various forms of assistance are given at present to stimulate exports, such as, the refund of excise duty, drawback of import duty, etc.

Would you suggest other forms of fiscal incentives also, such as remission of direct taxation, exemption from sales tax, refund of social welfare charges, currency retention, allocation of import quotas to exporters, etc.? The practicability of adopting these measures on revenue consideration as also our obligation under the General Agreement on Tariffs and Trade may be borne in mind while forwarding suggestions in this behalf.

(b) How can the present procedure for refund of excise duty and drawback of import duty be simplified, and the scope of relief extended? Give concrete suggestions.

(c) Please indicate whether any special facilities are required for expeditious movement of goods for export. Also indicate whether the freight rates require any adjustments. Please support your suggestions with concrete instances.

(d) What are the handicaps in the movement of goods by sea at present and what measures can be recommended for increasing shipping facilities? If you have concrete cases about alleged discrimination by shipping companies, they may be furnished.

(e) Would you recommend special facilities for export industries in obtaining capital goods, raw materials, etc.?

4. *Invisible Exports:*

(a) What measures in your opinion are required to be adopted for increasing our export earnings under (1) Indian Banking (2) Insurance and (3) Shipping?

(b) What steps should be taken to increase tourist traffic? Do you feel that the present facilities available to the tourists in regard to travel, accommodation, sight-seeing, etc., are adequate? How can they be improved?

5. *Methods of Export Financing:*

(a) To what extent are credit facilities available (i) from the stage of production or manufacture to the stage of export and (ii) from the stage of export to the stage of receipt of payment?

(b) Will banks and various Industrial Finance institutions in India be able to cope up with the demand for credits if exports increase? If not, what remedy would you suggest?

(c) How can financial aid be made available to small exporters? Consider the case of handicrafts in this connection.

(d) What is your opinion regarding exports on consignment basis? Should this form of exports be encouraged? If so, in regard to what commodities?

(e) Will the institution of a scheme for exporting commodities through a single agency contribute to the promotion of exports? If so, in what commodities would you recommend the employment of such agencies?

(f) To what extent will a system of auctions stimulate exports?

(g) Are there other forms of sales which could be used to boost exports?

(h) What role can export credit guarantees play in stimulating exports?

6. *Administrative measures and the services rendered by existing institutions:*

(a) Please give your views on the need for and the working of agencies like the Export Promotion Councils, Commodity Boards and similar bodies. Do you recommend any additional steps to be adopted by these organisations for developing export trade?

(b) The Director General of Commercial Intelligence and Statistics at Calcutta and Commercial Secretaries, Attaches and Trade Commissioners abroad are the principal sources of official information in regard to trade contacts etc. In what manner can their services be more effectively used? Are there any defects in their functioning which have to be removed? What part can they play in promoting the export trade? Have you any suggestions regarding the training of trade officers sent abroad?

(c) Do you think that adequate attention is being paid by traders to promote exports? Would you suggest any changes in the present set-up? Do you recommend the institution of export houses?

7. *Publicity in respect of Exports:*

(a) To what extent has participation in exhibitions and the opening of showrooms contributed to promotion of exports?

What further measures should be adopted to make the exhibitions and showrooms more effective and useful?

What other additional steps should be taken to advertise our goods and place them on new markets?

To what extent have trade delegations been successful in increasing our exports to existing markets and finding out new markets? What measures in addition to or in substitution of trade delegations are called for?

(b) Is there need and scope for setting up an Indian counterpart of British Export Trade Research Organization (BETRO) or Japan Export Trade Recovery Organization (JETRO)?

(c) What scope is there for improving trade information and publicity through brochures, directories etc.? What would be the suitable agency for undertaking such publications?

8. *Simplification of Commercial Transactions and Facilities before Shipment of Goods:*

(a) Is there need for creating a specialised organisation for reporting on the status and creditworthiness of exporters from India?

(b) What measures should be adopted so that disputes between exporters and foreign buyers can be minimised and disputes, if any, can be solved? What difficulties are likely to arise in making inclusion of arbitration clauses compulsory in all contracts?

(c) What are the usual types of disputes between the exporters and foreign buyers?

(d) Will pre-shipment inspection reduce disputes, and if so, what measures should be adopted in this respect generally and in respect of individual commodities?

(e) What quality standards are generally prevalent in India regarding various commodities and how far do these differ from standards in buyers' countries? Are there any international standards recognised by all countries?

(f) What measures can be adopted to ensure that the prescribed standards are observed by the exporters?

(g) Should standard contract forms be drawn up for different commodities?

(h) Would it be advisable to register export firms?

9. *State Trading*:

What are your views on the role of the State Trading Corporation for increasing exports?

10. *Trade Agreements, etc.*

(a) Make an assessment of the utility of Trade Agreements that have been entered into by India with various countries. In what directions do they need to be improved so as to increase their value and effectiveness?

(b) Do you have any concrete cases where the provision of technical collaboration agreement with foreign parties preclude the export of goods produced in the country? If so, would you recommend a revision in such agreements?

MGIPND—L—127 M of C & I—17-10-57—2,000